

RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds,  
Series 1987 A and Series 1987 B

Date of Closing: November 16, 1987

BOND TRANSCRIPT

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RED SULPHUR PUBLIC SERVICE DISTRICT  
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS,  
SERIES 1987 A AND SERIES 1987 B  
and  
INTERIM CONSTRUCTION FINANCING

BOND AND NOTES RESOLUTION

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11/16/87  
RSPSD2-B

RED SULPHUR PUBLIC SERVICE DISTRICT

RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF RED SULPHUR PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 A, NOT MORE THAN \$400,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 B, AND NOT MORE THAN \$1,000,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES OR BOTH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF RED SULPHUR PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution (together with any order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is adopted pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law.

Section 1.02. Findings. It is hereby found, determined and declared that:

A. Red Sulphur Public Service District (the "Issuer") is a public service district and political subdivision of the State of West Virginia in Monroe County of said State.

B. The Issuer presently owns and operates a combined public waterworks and sewage treatment, collection and transportation system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain additions, betterments and improvements for such existing sewerage facilities of the Issuer (the "Project") which constitute properties for the treatment and collection of liquid or solid wastes, sewage or industrial wastes (the Issuer's existing waterworks and sewerage system, together with the Project and any further additions thereto or extensions thereof is herein called the "System") at an estimated cost of \$2,693,860, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Bonds (as hereinafter defined) and all Sinking Fund, Reserve Account and other payments provided for herein.

D. It is deemed necessary for the Issuer to issue its Combined Waterworks and Sewerage System Revenue Bonds in the total aggregate principal amount of not more than \$1,400,000 in two series, being the Series 1987 A Bonds in the aggregate principal amount of not more than \$1,000,000, and the Series 1987 B Bonds in the aggregate principal amount of not more than \$400,000 (collectively, the "Bonds"), and (at the option of the Issuer) to issue contemporaneously therewith, or as soon as practicable thereafter, its combined waterworks and sewerage system grant anticipation notes, or a note or notes evidencing a line of credit, or both (collectively, the "Notes") in the aggregate principal amount of not more than \$1,000,000 to temporarily finance costs of construction and acquisition of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Notes during the term thereof and upon the Bonds prior to and during construction or acquisition and for 6 months after completion of construction of the Project; amounts which may be deposited in the Reserve Accounts; engineering, and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees of the Authority (as hereinafter

defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and Notes and such other expenses as may be necessary or incidental to the financing herein authorized, the construction or acquisition of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, including, with respect to the Notes, any fees for the providing of a letter of credit, as hereinafter defined, and any costs of obtaining insurance thereon; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or Notes or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project, as hereinafter defined.

E. The period of usefulness of the System after completion of the Project is not less than 40 years.

F. It is in the best interests of the Issuer that its Original Bonds (as hereinafter defined) be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement and a supplemental loan agreement (collectively, the "Loan Agreement") both dated August 21, 1987, entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority, and attached hereto as "Exhibit A," and made a part hereof.

G. There are outstanding obligations of the Issuer which will rank senior and prior to the Bonds as to lien and source of and security for payment being the Issuer's Combined Waterworks and Sewerage System Revenue Refunding Bonds, dated July 1, 1973, and issued in the original aggregate principal amount of \$540,000 (the "1973 Bonds"). The Series 1987 B Bonds shall be junior and subordinate to both the 1973 Bonds and the Series 1987 A Bonds as set forth herein. The Notes, if issued, will not be payable from the Net Revenues, but shall be payable from Grant Receipts, Surplus Revenues and proceeds of a letter of credit, if any, all as shall be set forth in the Indenture or the Supplemental Resolution authorizing the Notes, if any.

H. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Bonds and the Notes, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of a Certificate of Convenience and Necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bonds and the Notes by those who shall be the registered owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders and such Noteholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the registered owners of any and all of such Bonds and Notes, respectively, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series and between any one Note and any other Note, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

Section 1.04. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

"Act" means Chapter 16, Article 13A of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

"ARC Grant" means the grant from Appalachian Regional Commission pursuant to the commitment therefor.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Original Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any temporary Chairman duly appointed by the Governing Body.

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01 hereof.

"Bondholder," "Holder of the Bonds," "Holder" or any similar term whenever used herein with respect to an outstanding Bond or Bonds, means the person in whose name such Bond is registered.

"Bond Legislation," "Resolution," "Bond and Notes Resolution" or "Local Act" means this Bond and Notes Resolution and all orders and resolutions supplemental hereto or amendatory hereof.

"Bond Registrar" means the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns.

"Bond Year" means the 12 month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year except that the first Bond Year shall begin on the Closing Date.

"Bonds" means the Original Bonds, and any bonds on a parity therewith authorized to be issued hereunder.

"1973 Bonds" means the Issuer's Combined Waterworks and Sewerage System Revenue Refunding Bonds, dated July 1, 1973, issued in the original aggregate principal amount of \$540,000.

"Chairman" means the Chairman of the Governing Body of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, and regulations promulgated pursuant thereto.

"Commission" means the West Virginia Municipal Bond Commission or any other agency of the State of West Virginia that succeeds to the functions of the Commission.

"Consulting Engineers" means G. A. Tice, Incorporated, Beckley, West Virginia, or any engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

"Costs" or "Costs of the Project" means those costs described in Section 1.02D hereof to be a part of the cost of construction and acquisition of the Project.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns.

"Eligible Costs" means Costs of the Project which are reimbursable in full on a dollar-for-dollar basis from EPA Grant Receipts, the total of which are equal in amount to the EPA Grant.



"EPA" means the United States Environmental Protection Agency and any successor to the functions of the EPA.

"EPA Grant" means the grant from the EPA pursuant to the commitment therefor.

"Excess Investment Earnings" means an amount equal to the sum of:

(A) The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Bonds are invested [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings], over

(ii) The amount that would have been earned if the Yield on such Nonpurpose Investments [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings] had been equal to the Yield on the Bond, plus

(B) Any income attributable to the excess described in clause (A) of this definition of Excess Investment Earnings.

"FDIC" means the Federal Deposit Insurance Corporation and any successor to the functions of the FDIC.

"Fiscal Year" means each 12-month period beginning on July 1 and ending on the succeeding June 30.

"Governing Body" or "Board" means the public service board of the Issuer, as may hereafter be constituted.

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America.

"Grant Agreement" means a written commitment for the payment of the EPA Grant or any of the Other Grants, specifying the amount of such Grant, the terms and conditions upon which such Grant is made and the date or dates or event or events upon which Grant is to be paid to the Issuer; provided that, "EPA Grant Agreement" means only the Grant Agreement relating to the EPA Grant and "Other Grant

"Agreements" means only those Grant Agreements relating to the Other Grants.

"Grant Receipts" means all moneys received by the Issuer on account of any Grant after the date of issuance of the Notes; provided that "EPA Grant Receipts" means only Grant Receipts on account of the EPA Grant, and "Other Grant Receipts" means only Grant Receipts on account of any or all of the Other Grants.

"Grants" means, collectively, the EPA Grant and the Other Grants, as hereinafter defined.

"Gross Proceeds" means the sum of the following amounts:

(i) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Bonds, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bonds;

(ii) Investment proceeds, namely, amounts received at any time by or for the Issuer, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any losses on such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any prior bonds and which are deemed to become proceeds of the Bonds ratably as original proceeds of the Bonds, and interest earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of

any such prior obligations, all on the date of such ratable discharge;

(iv) Sinking fund proceeds, namely, amounts, other than original proceeds, investment proceeds or transferred proceeds (as referenced in clauses (i) through (iii) above) of the Bonds, which are held in any fund to the extent that the Issuer reasonably expects to use such other fund to pay Debt Service;

(v) Amounts in the Reserve Accounts and in any other fund established as a reasonably required reserve or replacement fund;

(vi) Investment Property pledged as security for payment of Debt Service on the Bonds by the Issuer;

(vii) Amounts, other than as specified in this definition, used to pay Debt Service on the Bonds; and

(viii) Amounts received as a result of investing amounts described in this definition.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Article 8.01 hereof) or any Tap Fees, as hereinafter defined.

"Herein," "hereto" and similar words shall refer to this entire Bond Legislation.

"Indenture" or "Trust Indenture" means the Trust Indenture which may be entered into between the Issuer and the Trustee relating to the Notes and all supplements or amendments thereto.

"Independent Certified Public Accountants" shall mean any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of

the System or for any other purpose except keeping the accounts of the System in the normal operation of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes.

"Issuer" means Red Sulphur Public Service District, in Monroe County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" shall mean, collectively, the Loan Agreement and the Supplemental Loan Agreement, both dated August 21, 1987, heretofore entered into between the Authority and the Issuer providing for the purchase of the Original Bonds from the Issuer by the Authority, the forms of which shall be approved, and the execution and delivery by the Issuer ratified and confirmed by, this Resolution or a resolution adopted by the Issuer prior to the adoption of this Resolution.

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Reserve Accounts.

"Net Revenues" means the balance of the Gross Revenues, remaining after deduction of Operating Expenses, as hereinafter defined.

"Nonpurpose Investment" means any Investment Property which is acquired with the Gross Proceeds of the Bonds and is not acquired in order to carry out the governmental purpose of the Bonds.

"Noteholder," "Holder of the Notes" or any similar term means the person, whenever used herein with respect to an outstanding Note or Notes, in whose name such Note is registered.

"Notes" or "GAN" means collectively, the not more than \$1,000,000 in aggregate principal amount of Sewerage System Grant Anticipation Notes, originally authorized hereby, or the not more than \$1,000,000 in aggregate principal amount of a note or notes evidencing a line of credit originally authorized hereby, and unless the context clearly indicates otherwise, the terms "Notes" or "GAN" includes any refunding Notes or GAN of the Issuer.

"Notes Construction Trust Fund" means the Notes Construction Trust Fund which may be established by Section 4.02 of the Indenture.

"Notes Debt Service Fund" means the Notes Debt Service Fund which may be established by Section 4.01 of the Indenture.

"Notes Registrar" means the bank to be designated as such in the Indenture or the Supplemental Resolution and its successors and assigns.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, Registrar, Paying Agent and the Trustee (all as herein defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds or Notes, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Original Bonds" or "Bonds originally authorized hereby" or similar phrases mean, collectively, the Series 1987 A Bonds and the Series 1987 B Bonds, issued for the purpose of paying a portion of the Costs of the Project and for such other purposes permitted and authorized by this Bond Legislation.

"Original Notes Purchaser" means, in the event grant anticipation notes are issued, such original purchaser of the Notes as shall be named in a resolution supplemental hereto, and, in the event a note or notes evidencing a line of credit are issued, such bank or banks as shall be named in a resolution supplemental hereto.

"Other Grants" means collectively, the ARC Grant and any other grant hereafter received by the Issuer to aid in financing any Costs.

"Outstanding," when used with reference to the 1973 Bonds, Bonds or Notes and as of any particular date, describes all 1973 Bonds, Bonds theretofore and thereupon being authenticated and delivered or all Notes theretofore and thereupon being authenticated and delivered except (i) any Bond or Note cancelled by the Bond Registrar, or Notes Registrar, at or prior to said date; (ii) any 1973 Bonds, Bond or Note for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be in trust hereunder or under the Indenture, as applicable, and set aside for such payment (whether upon or prior to maturity); (iii) any 1973 Bonds, Bond or Note deemed to have been paid as provided in the 1973 Resolution, Article X hereof or Article VIII of the Indenture, as applicable; and (iv) for purposes of consents or other action by a specified percentage of holders of 1973 Bonds, Bondholders or Noteholders, any 1973 Bonds, Bonds or Notes registered to the Issuer.

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 7.07 hereof.

"Paying Agent" means the bank or banks or other entity designated as such for the Bonds and/or the Notes in the Indenture or in the Supplemental Resolution or such entity or authority as may be designated by the Issuer.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

"Program" means the Authority's loan program, under which the Authority purchases the water development revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of water development revenue bonds of the Authority.

"Project" means the acquisition and construction of certain improvements for the existing sewage treatment plant of the Issuer, together with extensions, additions and improvements for the existing sewage collection and transportation lines to serve the Peterstown area of the Issuer and all necessary appurtenances.

"Purchase Price," for the purpose of computation of the Yield of the Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting

in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds of each maturity is sold or, if the Bonds are privately placed, the price paid by the first buyer of the Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Bonds.

"Qualified Investments" means and includes any of the following:

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

(d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

(e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government

Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

(f) Money market funds or similar funds whose only assets are investments of the type described in paragraphs (a) through (e) above;

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreements, and provided further that the holder of such repurchase agreement shall have a prior perfected security interest in the collateral therefor; must have (or its agent must have) possession of such collateral; and such collateral must be free of all claims by third parties;

(h) The Investment Agreement which, in the event Notes are issued, may be entered into by and between the Trustee and the bank designated as "Investment Bank" in the Supplemental Resolution;

(i) The West Virginia "consolidated fund" managed by the West Virginia State Board of Investments pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended; and

(j) Obligations of States or political subdivisions or agencies thereof, the interest on which is exempt from federal income taxation, and which are rated at least "A" by Moody's



Investors Service, Inc. or Standard & Poor's Corporation.

"Registered Owner," "Noteholder," "Bondholder," "Holder" or any similar term means whenever used herein with respect to an outstanding Bond, Note, Bonds or Notes, the person in whose name such Bond or Note is registered.

"Registrar" means as appropriate, either the Bond Registrar or the Notes Registrar or both.

"Regulations" means temporary temporary and permanent regulations promulgated under the Code, or any predecessor thereto.

"1973 Resolution" means the resolution of the Issuer adopted July 14, 1973, pursuant to which the 1973 Bonds were issued.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by Section 5.01 hereof.

"Revenue Fund" means the Revenue Fund established by Section 5.01 hereof.

"Secretary" means the Secretary of the Governing Body of the Issuer.

"Series 1987 A Bonds" or "Series A Bonds" means the not more than \$1,000,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1987 A, of the Issuer.

"Series 1987 A Bonds Reserve Account" means the Series 1987 A Bonds Reserve Account established in the Series 1987 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1987 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1987 A Bonds in any year.

"Series 1987 A Bonds Sinking Fund" means the Series 1987 A Sinking Fund established by Section 5.02 hereof.

"Series 1987 B Bonds" or "Series B Bonds" means the not more than \$400,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1987 B, of the Issuer.

"Series 1987 B Bonds Reserve Account" means the Series 1987 B Bonds Reserve Account established in the Series 1987 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1987 B Bonds Reserve Requirement" means, as of the date of calculation, the maximum amount of principal which will become due on the Series 1987 B Bonds in any year.

"Series 1987 B Bonds Sinking Fund" means the Series 1987 B Bonds Sinking Fund established by Section 5.02 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolutions authorizing the sale of the Notes or the Original Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Notes or the Original Bonds, as the case may be, and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the 1973 Bonds, the Bonds or any other obligations of the Issuer, including the Renewal and Replacement Fund and the Reserve Accounts, and all other reserve accounts, depreciation accounts and any similar funds or accounts relating to the 1973 Bonds.

"System" means the existing combined public waterworks and sewerage system of the Issuer in its entirety, and any improvements or extensions thereto hereafter constructed or acquired from any sources whatsoever, and includes the Project.

"Tap Fees" means the fees, if any, paid by prospective customers of the System in order to connect thereto.

"Trustee" means the banking institution designated as trustee for the Noteholders under the Indenture, if any, its successors and assigns.

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Bonds produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bonds, all computed as prescribed in applicable Regulations.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall

include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

## ARTICLE II

### AUTHORIZATION OF CONSTRUCTION AND ACQUISITION OF THE PROJECT

Section 2.01. Authorization of Construction and Acquisition of the Project. There is hereby authorized the construction and acquisition of the Project, at an estimated cost of \$2,693,860, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Notes and the Bonds hereby authorized shall be applied as provided in the Indenture, if any, and Article VI hereof, respectively.

### ARTICLE III

#### AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1987 A Bonds, funding a reserve account for each series of Original Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, or any of such purposes, there shall be issued negotiable Original Bonds of the Issuer, in an aggregate principal amount of not more than \$1,400,000. Said Bonds shall be issued in two series, to be designated respectively, "Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A," in the aggregate principal amount of not more than \$1,000,000, and "Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B," in the aggregate principal amount of not more than \$400,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. Such Bonds shall be issued contemporaneously with or prior to issuance of the Notes, if any. The proceeds of the Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in the Bond Construction Trust Fund established by Section 5.01 hereof.

Section 3.02. Terms of Bonds. The Bonds shall bear interest at such rate or rates, not exceeding the then legal maximum, payable semiannually on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution. The Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds shall be paid by check or draft of the Paying Agent mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Original Bonds shall be issued in the form of a single bond for each series, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of each series, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds of each series shall be exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series in aggregate

principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. The Bonds shall be dated as of the date specified in a Supplemental Resolution and shall bear interest from such date.

Section 3.03. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.09 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of said Bonds shall be conclusively deemed to have

agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value in the manner provided hereinafter in the form of said Bonds.

So long as any of the Bonds remain outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

The registered Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Bonds or transferring the registered Bonds are exercised, Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost.  
In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may

incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the respective Reserve Accounts. No holder or holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Bonds or the interest thereon.

Section 3.08. Bonds Secured by Subordinate Pledge of Net Revenues; Series 1987 B Bonds to be Junior and Subordinate to Series 1987 A Bonds. The payment of the debt service of all the Series 1987 A Bonds shall be secured forthwith equally and ratably with each other, by a lien on the Net Revenues derived from the System, junior and subordinate to the lien thereon in favor of the holders of the 1973 Bonds. The payment of the debt service of all the Series 1987 B Bonds shall also be secured forthwith equally and ratably with each other by a lien on the Net Revenues derived from the System, but junior and subordinate to the lien on such Net Revenues in favor of the Holders of both the 1973 Bonds and the Series 1987 A Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds after all payments required to be made on account of the 1973 Bonds and to make the payments into the Sinking Funds, the Reserve Accounts therein and the Renewal and Replacement Fund hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.09. Form of Original Bonds. The text of the Bonds shall be in substantially the following forms, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:



[Form of Series 1987 A Bond]

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
RED SULPHUR PUBLIC SERVICE DISTRICT  
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND, SERIES 1987 A

No. AR-\_\_\_\_\_

\$ \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS: That RED SULPHUR PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Monroe County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of \_\_\_\_\_ (\$ \_\_\_\_\_), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning \_\_\_\_\_ 1, 19\_\_\_\_. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated \_\_\_\_\_, 198\_\_.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the sewerage facilities portion of the combined waterworks and sewerage system of the Issuer (the "Project"); (ii) to pay interest on the Bonds of this series (the "Bonds") during the construction of the Project and for approximately \_\_\_\_\_ months thereafter; and (iii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, duly adopted by the Issuer on \_\_\_\_\_, 1987 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is issued contemporaneously with the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, of the Issuer (the "Series 1987 B Bonds"), issued in the aggregate principal amount of \$ \_\_\_\_\_, which Series 1987 B Bonds are junior and subordinate with respect to liens and sources of and security for payment to the Bonds.

This Bond is payable only from and secured by a pledge of the Net Revenues to be derived from the operation of the System (as such terms are defined in the Bond Legislation), moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1987 A Bonds Reserve Account"), and unexpended proceeds of the Bonds and the Series 1987 B Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1987 A Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any year of principal of and interest

on the Bonds, the Series 1987 B Bonds, and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds or the Series 1987 B Bonds, provided however, that so long as there exists in the Series 1987 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in any year, and in the respective reserve accounts established for the Series 1987 B Bonds and any other obligations outstanding prior to or on a parity with the Bonds or the Series 1987 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements set forth herein, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the owner of this Bond.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIEN AND SOURCES OF AND SECURITY FOR PAYMENT TO THE ISSUER'S OUTSTANDING COMBINED WATERWORKS AND SEWERAGE REVENUE REFUNDING BONDS, DATED JULY 1, 1973, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$540,000.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond,

together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, RED SULPHUR PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated \_\_\_\_\_, 1987.

[SEAL]

\_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1987 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above as of the date set forth below.

Date: \_\_\_\_\_

ONE VALLEY BANK, NATIONAL ASSOCIATION,  
as Registrar

By \_\_\_\_\_  
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto

the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: \_\_\_\_\_, \_\_\_\_\_.

In the presence of:

\_\_\_\_\_

[Form of Series 1987 B Bond]

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
RED SULPHUR PUBLIC SERVICE DISTRICT  
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND, SERIES 1987 B

No. BR-\_\_\_\_\_

\$ \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS: That RED SULPHUR PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Monroe County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of \_\_\_\_\_ (\$ \_\_\_\_\_), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Supplemental Loan Agreement between the Issuer and the Authority, dated \_\_\_\_\_, 198\_\_.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing sewerage facilities portion of the combined waterworks and sewerage system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, duly adopted by the Issuer on \_\_\_\_\_, 1987 (collectively called the "Bond Legislation"),



and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is payable only from and secured by a pledge of the Net Revenues to be derived from the operation of the System (as such terms are defined in the Bond Legislation) after there has first been paid from said Net Revenues all payments then due and owing on account of the Series 1987 A Bonds herein described and to all moneys in the Reserve Account (the "Series 1987 B Reserve Account") created under the Bond Legislation for the Bonds of this Series (the "Bonds"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1987 B Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any year of principal of and interest, if any, on the Bonds, the Series 1987 A Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Series 1987 A Bonds or the Bonds, provided however, that so long as there exists in the Series 1987 B Bonds Reserve Account and the reserve account established for the Series 1987 A Bonds, respectively, amounts at least equal to the maximum amount of principal and interest which will become due on the Bonds and the Series 1987 A Bonds in any year, and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only

upon the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements as set forth herein, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1987 A Bonds.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE OUTSTANDING COMBINED WATERWORKS AND SEWERAGE REVENUE REFUNDING BONDS OF THE ISSUER, DATED JULY 1, 1973, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$540,000, AND THE SEWER REVENUE BONDS, SERIES 1987 A, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$\_\_\_\_\_ OF THE ISSUER, ISSUED CONCURRENTLY HERewith AND DESCRIBED IN THE BOND LEGISLATION.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, RED SULPHUR PUBLIC SERVICE DISTRICT  
has caused this Bond to be signed by its Chairman and its corporate  
seal to be hereunto affixed hereon and attested by its Secretary,  
and has caused this Bond to be dated \_\_\_\_\_, 1987.

[SEAL]

\_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1987 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above as of the date set forth below.

Date: \_\_\_\_\_

ONE VALLEY BANK, NATIONAL ASSOCIATION,  
as Registrar

By \_\_\_\_\_  
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto

the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
In the presence of:

\_\_\_\_\_

Section 3.10. Sale of Original Bonds; Ratification of Execution of Loan Agreement with Authority. The Original Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, ratified and approved.

## ARTICLE IV

### INTERIM CONSTRUCTION FINANCING

Section 4.01. Authorization and General Terms. In order to pay certain Costs of the Project pending receipt of the Grant Receipts, the Issuer may issue and sell its Notes in an aggregate principal amount not to exceed \$1,000,000. The Notes may be in the form of grant anticipation notes or as evidence of a line of credit from a commercial bank or other lender, at the discretion of the Issuer, and as shall be set forth in a resolution supplemental hereto. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the Indenture or supplemental resolution, as applicable.

Section 4.02. Terms of and Security for Notes; Trust Indenture. The Notes, if issued, shall be issued in fully registered form, in the denomination of \$5,000 or any integral multiple thereof, with such terms and secured in the manner set forth in the Indenture, if applicable (which Indenture in the form to be executed and delivered by the Issuer shall be approved by a supplemental resolution), or supplemental resolution, if no Indenture is used.

Section 4.03. Notes are Special Obligations. The Notes shall be special obligations of the Issuer payable as to principal and interest solely from the Grant Receipts, Surplus Revenues, letter of credit proceeds, if any, and other sources described in the Indenture or supplemental resolution. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power, if any, of the Issuer is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth in the Indenture and the Supplemental Resolution.

Section 4.04. Letters of Credit. As additional security for the Notes, the Issuer may obtain a letter or letters of credit from a bank or banks, pursuant to which such bank or banks would agree to pay to the Trustee, upon presentation by the Trustee of certain certificates, the sum or sums set forth therein but not to exceed \$1,000,000 in the aggregate. In the event of a draw under



any such letter of credit, the Issuer shall issue its refunding notes to the bank issuing such letter of credit. Any such letter of letter of credit shall be authorized and shall have such terms as shall be set forth in a resolution supplemental hereto.

## ARTICLE V

### SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created (or continued if previously established by the 1973 Resolution) with and shall be held by, the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and from each other:

- (1) Revenue Fund (established by 1973 Resolution);
- (2) Depreciation Account (established by the 1973 Resolution);
- (3) Renewal and Replacement Fund; and
- (4) Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established (or continued if previously established by the 1973 Resolution) with the Commission:

- (1) The Sinking Fund established for the 1973 Bonds (herein called the "1973 Bonds Sinking Fund");
  - (a) Within the 1973 Bonds Sinking Fund, the Reserve Account established for the 1973 Bonds (the "1973 Bonds Reserve Account");
- (2) Series 1987 A Bonds Sinking Fund;
  - (a) Within the Series 1987 A Bonds Sinking Fund, the Series 1987 A Bonds Reserve Account.
- (3) Series 1987 B Bonds Sinking Fund;
  - (a) Within the Series 1987 B Bonds Sinking Fund, the Series 1987 B Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other

funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) The Issuer shall first, each month, pay from the Revenue Fund the Operating Expenses of the System.

(2) The Issuer shall next, before the end of each month, transfer from the Revenue Fund and remit to the Commission for deposit into the 1973 Bonds Sinking Fund, 1/6th of the amount required to pay the interest on the 1973 Bonds which will mature and become due on the next interest payment date; and shall also monthly transfer from the Revenue Fund and remit to the Commission, for deposit into the 1973 Bonds Sinking Fund, 1/12th of the amount required to pay the principal of the 1973 Bonds which will mature and become due on the next succeeding January 1, which payments for principal and interest required to be remitted to the Commission in each June and December shall be so remitted not later than each June 15 and December 15.

The Issuer shall also, from the Revenue Fund, remit to the Commission, at such times as the Commission shall require, such additional sums, if any, as shall be necessary to pay the fiscal charges due for paying the 1973 Bonds and the interest thereon.

(3) The Issuer shall next, each month, transfer from the Revenue Fund and remit to the Commission, for deposit into the 1973 Bonds Reserve Account, in the 1973 Bonds Sinking Fund, the sum of \$300, until the amount in the 1973 Bonds Reserve Account equals \$36,000. After such amount has been accumulated in the 1973 Reserve Account, the Issuer shall monthly remit to the Commission such part of the moneys remaining in the Revenue Fund, after such provision for payment of maturing principal of and interest on the 1973 Bonds, as shall be required to maintain such amount in the 1973 Bonds Reserve Account. Moneys in the 1973 Bonds Reserve Account shall be used solely to make up any deficiency in the 1973 Sinking Fund for payment of the principal of and interest on the 1973 Bonds as the same shall mature hereinafter provided and for no other purpose.

(4) The Issuer shall next, each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Depreciation Account heretofore established by the 1973 Resolution a sum equal to not less than 5% of the Gross Revenues derived from the operation of the

System during the preceding month; provided however, that no further payments shall be made into the Depreciation Account when there shall have been deposited therein, and so long as these shall remain on deposit therein, the sum of \$30,000. Moneys in the Depreciation Account shall be used only for replacement or addition of capital assets of the System, except that such moneys may be transferred to the 1973 Bonds Sinking Fund under the circumstances prescribed by Section 3.02(B)(5) of the 1973 Resolution.

(5) Thereafter, from the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 1987 A Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1987 A Bonds Sinking Fund, a sum equal to  $1/6$ th of the amount of interest which will become due on said Series 1987 A Bonds on the next ensuing semiannual interest payment date; provided, that, in the event the period to elapse between the date of such initial deposit in the Series 1987 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date.

(6) The Issuer shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1987 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 A Bonds Sinking Fund, a sum equal to  $1/12$ th of the amount of principal which will mature and become due on said Series 1987 A Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1987 A Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(7) The Issuer shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1987 A Bonds, if not fully funded upon issuance of the Series 1987 A Bonds, apportion and set apart out of the Revenue Fund and remit

to the Commission for deposit in the Series 1987 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1987 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1987 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1987 A Bonds Reserve Requirement.

(8) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after commencement of operation of the System, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of the Series 1987 A Bonds Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 1987 A Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account has not, as of the date of determination of a deficiency, funded such account to the maximum extent required by Subsection 5.03(A)(4)] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(9) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1987 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 B Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1987 B Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1987 B Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(10) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1987 B Bonds, if not fully funded upon issuance of the Series 1987 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1987 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1987 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1987 B Bonds Reserve Requirement.

Moneys in the Series 1987 A Bonds Sinking Fund and the Series 1987 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the respective series of Bonds as the same shall become due. Moneys in the Series 1987 A Bonds Reserve Account and the Series 1987 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the respective series of Bonds, as the same shall come due, when other moneys in the attendant Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the several Sinking Funds and Reserve Accounts shall be returned, not less than once each year, by the Commission to the Issuer, for deposit in the Revenue Fund, and such amounts shall, during construction of the Project, be deposited in the Bond Construction Trust Fund, and following completion of construction of the Project, shall be applied in full, first to the next ensuing interest payments, if any, due on the respective Series of Bonds, and then to the next ensuing principal payments due thereon.

Any withdrawals from the Series 1987 A Bonds Reserve Account which result in a reduction in the balance of the Series 1987 A Bonds Reserve Account to below the Series 1987 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1987 A Bonds Sinking Fund for payment of debt service on the Bonds have been made in full.

Any withdrawals from the Series 1987 B Bonds Reserve Account which result in a reduction in the balance of the Series 1987 B Bonds Reserve Account to below the

Series 1987 B Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1987 A Bonds Sinking Fund, the Series 1987 A Bonds Reserve Account, the Renewal and Replacement Fund and the Series 1987 B Bonds Sinking Fund have been made in full.

As and when additional Bonds ranking on a parity with the Bonds are issued, provision shall be made for additional payments into the respective Sinking Fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate Reserve Account in an amount equal to the maximum provided and required to be paid into the concomitant Sinking Fund in any year for account of the Bonds of such series, including such additional Bonds which by their terms are payable from such Sinking Fund.

The Issuer shall not be required to make any further payments into the Series 1987 A Bonds Sinking Fund, or the Series 1987 B Bonds Sinking Fund or into the Reserve Accounts therein when the aggregate amount of funds in said respective Sinking Funds and Reserve Accounts are at least equal to the aggregate principal amount of the respective Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the respective maturities thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Sinking Funds created hereunder, and all amounts required for said Sinking Funds shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Sinking Funds shall be made on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

Moneys in the Reserve Accounts shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Sinking Funds, including the Reserve Accounts therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the respective Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the several funds and accounts described herein and in the 1973 Resolution on account of the 1973 Bonds and the Bonds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System, including, but not limited to, payment to the Trustee for deposit in the Notes Debt Service Fund, as defined in the Indenture.

C. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay the Depository Bank's charges and the Paying Agent fees then due.

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund and the Renewal and Replacement Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

E. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates.

F. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

G. The Gross Revenues of the System shall only be used for purposes of the System.



H. All Tap Fees shall be deposited by the Issuer, as received, in the Bond Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System, provided that, in the event Notes are issued, Tap Fees may, with the written consent of the Authority be deposited otherwise.

## ARTICLE VI

### BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of any or all of the Original Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1987 A Bonds there shall first be paid any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the date of such payment.

B. From the proceeds of the Series 1987 A Bonds, there shall next be deposited with the Commission in the Series 1987 A Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1987 A Bonds for the period commencing on the date of issuance of the Bonds and ending 6 months after the estimated date of completion of construction of the Project.

C. Next, from the proceeds of the Series 1987 A Bonds, there shall be deposited with the Commission in the Series 1987 A Bonds Reserve Account and from the proceeds of the Series 1987 B Bonds, there shall be deposited with the Commission in the Series 1987 B Reserve Account the respective sums, if any, set forth in the Supplemental Resolution for funding of the Reserve Accounts.

D. The remaining moneys derived from the sale of the Bonds shall be deposited with the Depository Bank in the Bond Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

E. The Depository Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Bond Legislation and Indenture (if any). Moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so expended, are hereby pledged as additional security for the Series 1987 A Bonds, and thereafter for the Series 1987 B Bonds. In the event that Notes are issued, the disposition of funds in the Bonds Construction Trust Fund may be modified from that set forth herein, with the written consent of the Authority.

Section 6.02. Disbursements From the Bond Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Disbursements from the Bond Construction Trust Fund, except for the costs of issuance of the Original Bonds which shall be made upon request of the Issuer, shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

(A) That none of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;

(B) That each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes a Cost of the Project;

(C) That each of such costs has been otherwise properly incurred; and

(D) That payment for each of the items proposed is then due and owing.

In case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Series 1987 A Bonds Reserve Account, and when fully funded to the Series 1987 B Bonds Reserve Account, and when both Reserve Accounts are fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter, apply such moneys in full, first to the next ensuing interest payments, if any, due on

the respective Series of Bonds and thereafter to the next ensuing principal payments due thereon.

## ARTICLE VII

### ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds or the interest thereon is Outstanding and unpaid.

Until the payment in full of the principal of and interest on the Notes when due, and to the extent they do not materially adversely affect Bondholders, the covenants, agreements and provisions contained in this Bond Legislation shall, where applicable, also inure to the benefit of the Holders of the Notes and the Trustee therefor and constitute valid and legally binding covenants of the Issuer, enforceable in any court of competent jurisdiction by the Trustee or any Holder or Holders of said Notes as prescribed in the Indenture; provided, that Section 7.04 and Section 7.09 shall not be applied to the Notes.

Section 7.02. Bonds and Notes not to be Indebtedness of the Issuer. Neither the Bonds nor the Notes shall be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Bonds or Notes, shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay said Bonds or Notes or the interest thereon.

Section 7.03. Bonds Secured by Subordinate Pledge of Net Revenues. The payment of the debt service of the Series 1987 A Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on the Net Revenues derived from the operation of the System junior and subordinate to the lien in favor of the Holders of the 1973 Bonds and payment of the debt service of the Series 1987 B Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on said Net Revenues junior and subordinate to the lien on said Net Revenues in favor of the Holders of the 1973 Bonds and the Series 1987 A Bonds. The revenues derived from the System, in an amount sufficient to pay the principal of and

interest on the 1973 Bonds and the Bonds and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Order of the Public Service Commission of West Virginia entered October 30, 1987 (Case No. 86-616-S-CN).

Section 7.05. Sale of the System. The System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds and Notes, if any, Outstanding, or to effectively defease this Resolution in accordance with Section 10.01 hereof and, if entered into and not previously defeased, the Indenture in accordance with Section 8.01 thereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System. With respect to the Notes, such proceeds in an amount sufficient to pay the Notes in full shall be applied to the payment of the Notes, either at maturity or, if allowable under the Supplemental Resolution or Indenture, prior thereto.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the

Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of \$10,000 and not in excess of \$50,000, shall with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the Sinking Fund and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07B, the Issuer shall not issue any obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally to the Notes issued under the Indenture or supplemental resolution prior to or on a parity with the lien on behalf of such Notes until such Notes have been defeased in accordance with the provisions of the Indenture and the Bond Legislation; and, so long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that additional Bonds on a parity with the Series 1987 B Bonds only may be issued as provided for in Section 7.07 hereof. All obligations issued by the Issuer after the issuance of the Bonds and payable

from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 1987 A Bonds and the Series 1987 B Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Reserve Accounts and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Bond Legislation, or upon the System or any part thereof.

Section 7.07. Parity Bonds. A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1987 B Bonds. No Parity Bonds shall be issued which shall be payable out of the revenues of the System on a parity with the Series 1987 A Bonds, unless the Series 1987 B Bonds are no longer outstanding.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions, improvements or betterments to the System or refunding one or more series of Bonds issued pursuant hereto, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:



- (1) The Bonds then Outstanding;
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding; and
- (3) The Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer and approved by the Public Service Commission of West Virginia, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Consulting Engineers and the said Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Consulting Engineers and said Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate construction or acquisition of such additions, betterments or improvements, if any, to the System that are to be financed by such Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond

Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

All Parity Bonds shall mature on the day of the years of maturities, and the semiannual interest thereon shall be payable on the days of each year, specified in a Supplemental Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 1987 A Bonds and the Series 1987 B Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1987 A Bonds or the Series 1987 B Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

B. Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 7.07, if there is first obtained by the Issuer the written consent of the Authority to the issuance of bonds on a parity with the Bonds.

Section 7.08. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds or of a Note or Notes issued pursuant to this Bond Legislation or the Trustee shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed and as prescribed by the Public Service Commission of

West Virginia. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Governing Body. The Governing Body shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Governing Body shall be reported to such agent of the Issuer as the Governing Body shall direct.

The Issuer shall file with the Consulting Engineers, the Trustee and the Authority, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of Bonds or Notes, as the case may be, requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus Revenues derived from and relating to the System.

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Bond Legislation and the Indenture with respect to said Bonds or Notes, as the case may be, and the status of all said funds and accounts.

(C) The amount of any 1973 Bonds, Bonds, Notes or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds or Notes, as the case may be, and shall file said report with the Trustee and the Authority, or any other original purchaser of the Bonds.

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In

order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds; provided that, in the event that an amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Reserve Accounts and reserve accounts for obligations prior to or on a parity with the Bonds are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds.

Section 7.10. Operating Budget and Audit. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Trustee and the Authority and to any Holder of any Bonds or Notes, as the case may be, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Trustee and to any Holder of any Bonds or Notes, as the case may be, or anyone acting for and in behalf of such Holder of any Bonds or Notes, as the case may be.

In addition, the Issuer shall annually cause the records of the System to be audited by an independent certified public accountant, the report of which audit shall be submitted to the Authority and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement.

Section 7.11. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules of the Issuer, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System and any services and facilities of the water system, if so owned by the Issuer, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.13. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department,

agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds or the Notes remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project in the full insurable value thereof, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than \$100,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

(3) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of 100% of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

(4) FLOOD INSURANCE, to the extent available at reasonable cost to the Issuer.

(5) BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

B. The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project. In the event the Issuer requires the Loan Agreement, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 7.15. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30 day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 7.16. Completion of Project. The Issuer will complete the Project and operate and maintain the System in good condition.

Section 7.17. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Bonds or \$5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.



C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 7.18. Statutory Mortgage Lien. For the further protection of the Holders of the Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Bonds and shall be for the equal benefit of all Holders of each respective series of Bonds, provided however, that the statutory mortgage lien in favor of the Holders of the Series 1987 A Bonds shall be junior to the statutory mortgage lien in favor of the Holders of the 1973 Bonds and senior to the statutory mortgage lien in favor of the Holders of the Series 1987 B Bonds.

## ARTICLE VIII

### INVESTMENT OF FUNDS; NON ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Bond Legislation or the Indenture, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Trustee, if any, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Bond Legislation, and the Indenture, if any, the need for such moneys for the purposes set forth herein and in the Indenture, if any, and the specific restrictions and provisions set forth in this Section 8.01 and in the Indenture.

Except as provided in the Indenture, if any, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Trustee, if any, the Depository Bank, or such other bank or national banking association, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Trustee, if any, the Depository Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

Section 8.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Bonds in such manner and to such extent as may be necessary, in view of the Issuer's reasonable expectations at the time of issuance of the Bonds, so that the Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to the Bonds) so that the interest on the Bonds will be and

remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Rebate of Excess Investment Earnings to the United States. A. CREATION OF FUNDS. There are hereby created, to be held by the Depository Bank as separate funds distinct from all other funds and accounts held by the Depository Bank under this Bond Legislation, the Earnings Fund and the Rebate Fund. All interest earnings and profits on amounts in all funds and accounts established under this Bond Legislation, other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than \$100,000, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Depository Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds held by the Issuer shall, upon receipt, be paid to the Depository Bank for deposit in the Earnings Fund. Annually, on the last day of each Bond Year or on the preceding business day in the event that such last day is not a business day, the Depository Bank shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the Depository Bank shall transfer all amounts remaining in the Earnings Fund to be used for the payment of Debt Service on the next interest payment date and for such purpose, Debt Service due from the Issuer on such date shall be credited by an amount equal to the amount so transferred.

B. DUTIES OF ISSUER IN GENERAL. The Issuer shall calculate Excess Investment Earnings in accordance with Subsection C and shall assure payment of an amount equal to Excess Investment Earnings to the United States in accordance with Subsections D and E.

C. CALCULATION OF EXCESS INVESTMENT EARNINGS. Within 30 days following the last day of the first Bond Year, the Issuer shall calculate, and shall provide written notice to the Original Purchaser and Depository Bank of, the Excess Investment Earnings referenced in clause (A) of the definition of Excess Investment Earnings. Thereafter, within 30 days following the last day of each Bond Year and within 30 days following the date of the retirement of the Bond, the Issuer shall calculate, and shall provide written notice to the Purchaser and Depository Bank of, the amount of Excess Investment Earnings. Said calculations shall be made or caused to be made by the Issuer in accordance with the following:

(1) Except as provided in (2), in determining the amount described in clause A(i) of the definition of Excess Investment Earnings, the aggregate amount earned on Nonpurpose Investments shall include (i) all income realized under federal income tax accounting principles (whether or not the person earning such income is subject to federal income tax) with respect to such Nonpurpose Investments and with respect to the reinvestment of investment receipts from such Nonpurpose Investments (without regard to the transaction costs incurred in acquiring, carrying, selling or redeeming such Nonpurpose Investments), including, but not limited to, gain or loss realized on the disposition of such Nonpurpose Investments (without regard to when such gains are taken into account under Section 453 of the Code relating to taxable year of inclusion of gross income), and income under Section 1272 of the Code (relating to original issue discount) and (ii) any unrealized gain or loss as of the date of retirement of the Bonds in the event that any Nonpurpose Investment is retained after such date.

(2) In determining the amount described in clause (A) of the definition of Excess Investment Earnings, Investment Property shall be treated as acquired for its fair market value at the time it becomes a Nonpurpose Investment, so that gain or loss on the disposition of such Investment Property shall be computed with reference to such fair market value as its adjusted basis.

(3) In determining the amount described in clause (A)(ii) of the definition of Excess Investment Earnings, the Yield on the Bonds shall be determined based on the actual Yield of the Bonds during the period between the Closing Date of the Bonds and the date the computation is made (with adjustments for original issue discount or premium).

(4) In determining the amount described in clause (B) of the definition of Excess Investment Earnings, all income attributable to the excess described in clause (A) of said definition must be taken into account, whether or not that income exceeds the Yield of the Bond, and no amount may be treated as "negative arbitrage."

(5) In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a

proper matching of revenues and Debt Service within each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1 year's earnings on such fund or account or 1/12th of annual Debt Service as well as amounts earned on said earnings if the gross earnings on such fund or account for the Bond Year is less than \$100,000.

D. PAYMENT TO THE UNITED STATES. The Issuer shall direct the Depository Bank to pay from the Rebate Fund an amount equal to Excess Investment Earnings to the United States in installments with the first payment to be made not later than 30 days after the end of the 5th Bond Year and with subsequent payments to be made not later than 5 years after the preceding payment was due. The Issuer shall assure that each such installment is in an amount equal to at least 90% of the Excess Investment Earnings with respect to the Gross Proceeds as of the close of the computation period. Not later than 60 days after the retirement of the Bonds, the Issuer shall direct the Depository Bank to pay from the Rebate Fund to the United States 100% of the theretofore unpaid Excess Investment Earnings in the Rebate Fund. In the event that there are any amounts remaining in the Rebate Fund following the payment required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required by this Subsection D, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor.

E. FURTHER OBLIGATIONS OF ISSUER. The Issuer shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section. To that end the Issuer shall assure that investment transactions are on an arm's length basis and that Nonpurpose Investments are acquired at their fair market value. In the event that Nonpurpose Investments consist of certificates of deposit or investment contracts, investment in such Nonpurpose Investments shall be made in accordance with the procedures described in applicable Regulations as from time to time in effect. The Depository Bank shall keep the moneys in the Earnings Fund and Rebate Fund invested and reinvested to the fullest extent practicable in Government Obligations with maturities consonant with the required use thereof and investment profits and earnings shall be credited to the account of such fund on which earned.

F. MAINTENANCE OF RECORDS. The Issuer shall keep, and retain for a period of 6 years following the retirement of the Bonds, records of the determinations made pursuant to this Section 8.03.

G. INDEPENDENT CONSULTANTS. In order to provide for the administration of this Section 8.03, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate.

H. FURTHER AGREEMENT. Notwithstanding the foregoing, the Issuer further covenants to comply with all Regulations from time to time in effect and applicable to the Bonds, as may be necessary in order to fully comply with Section 148(f) of the Code.

## ARTICLE IX

### DEFAULT AND REMEDIES

Section 9.01. Events of Default. A. Each of the following events shall constitute an "Event of Default" with respect to the Notes:

(1) If default occurs in the due and punctual payment of the principal of or interest on any Notes; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Notes set forth in this Bond Legislation, any supplemental resolution, the Indenture or in the Notes, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Trustee, any other bank or banking association holding any fund or account hereunder or a Holder of a Note; or

(3) If the Issuer files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America.

B. Each of the following events shall constitute an "Event of Default" with respect to the Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest on any Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Bonds set forth in this Bond Legislation, any supplemental resolution or in the Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

(3) If the Issuer files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Note

or Bond, as the case may be, may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Notes or Bonds, as the case may be, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Notes or Bonds, as the case may be, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Notes or Bonds, or the rights of such Registered Owners, provided however, that no remedy herein stated may be exercised by a Noteholder in a manner which adversely affects any remedy available to the Bondholders, and provided further, that all rights and remedies of the Holders of the Series 1987 B Bonds shall be subject to those of the Holders of the Series 1987 A Bonds and all rights and remedies of the Holders of the Bonds shall be subject to those of the Holders of the 1973 Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

The receiver so appointed shall forthwith, directly or by his or her or its agents and attorneys, enter into and upon and take possession of all facilities of said System and shall hold, operate and maintain, manage and control such facilities, and each and every part thereof, and in the name of the Issuer exercise all the rights and powers of the Issuer with respect to said facilities as the Issuer itself might do.



Whenever all that is due upon the Bonds and interest thereon and under any covenants of this Bond Legislation for Reserve, Sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner of any Bonds shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him or her or it, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby, and a successor receiver may be appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

## ARTICLE X

### DEFEASANCE

Section 10.01. Defeasance of Series 1987 A Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1987 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1987 A Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1987 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1987 A Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agents at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1987 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1987 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1987 A Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1987 A Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or

its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 10.02. Defeasance of Series 1987 B Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1987 B Bonds, the principal due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1987 B Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1987 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1987 B Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agents at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date the principal installments of and interest on such Series 1987 B Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1987 B Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1987 B Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1987 B Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the

purpose of this section, securities shall mean and include only Government Obligations.

Section 10.03. Defeasance of Notes. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Notes, the principal of and interest due or to become due thereon, at the times and in the manner set forth in the Indenture, then with respect to the Notes only, this Bond Legislation, the Indenture, if any, and the pledges of Grant Receipts and other moneys and securities pledged thereby, and all covenants, agreements and other obligations of the Issuer to the Holders of the Notes shall thereupon cease, terminate and become void and be discharged and satisfied.

## ARTICLE XI

### MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. No material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Notes or Bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% or more in principal amount of the Notes or Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or any Note or Notes or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds or Notes respectively, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder or Noteholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure exemption from federal income taxation of interest on the Bonds and the Notes.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Bonds and Notes, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, the Indenture, if any, the Bonds or the Notes, if any.

Section 11.04. Headings, Etc. The headings and catchlines of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 11.05. Conflicting Provisions Repealed. All orders or resolutions and or parts thereof in conflict with the

provisions of this Resolution are, to the extent of such conflict, hereby repealed provided that, in the event of any conflict between this Resolution and the 1973 Resolution, the 1973 shall control, so long as the 1973 Bonds are Outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the enactment of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 11.07. Public Notice of Proposed Financing. Prior to making formal application to the Public Service Commission of West Virginia for a certificate of convenience and necessity and adoption of this Resolution, the Secretary of the Governing Body shall have caused to be published in a newspaper of general circulation in each municipality in Red Sulphur Public Service District and within the boundaries of the District, a Class II legal advertisement stating:

(a) The respective maximum amounts of the Bonds and Notes to be issued;

(b) The respective maximum interest rates and terms of the Bonds and the Notes originally authorized hereby;

(c) The public service properties to be acquired or constructed and the cost of the same;

(d) The maximum anticipated rates which will be charged by the Issuer; and

(e) The date that the formal application for a certificate of convenience and necessity is to be filed with the Public Service Commission of West Virginia.

Section 11.08. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 12th day of November, 1987.

Basil D. Meadows  
Chairman, Public Service Board

Dennis Libald  
Member, Public Service Board

Edward L. Ferguson  
Member, Public Service Board

CERTIFICATION

Certified a true copy of a Resolution adopted by the  
Public Service Board of Red Sulphur on the 12th day of November, 1987.

Dated: 11-16, 1987

[SEAL]

*Dennis Liball*  
Secretary, Public Service Board

11/16/87  
RSPSD2/3-A/A



"EXHIBIT A"

[Included as Document Nos. 3 and 4 of Bond Transcript]



RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds,  
Series 1987 A and Series 1987 B

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES AND OTHER TERMS OF THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 A AND SERIES 1987 B OF RED SULPHUR PUBLIC SERVICE DISTRICT; AUTHORIZING, APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS

WHEREAS, the public service board (the "Governing Body") of Red Sulphur Public Service District (the "Issuer"), has duly and officially adopted a bond resolution, effective November 12, 1987 (the "Bond Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF RED SULPHUR PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 A, NOT MORE THAN \$400,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 B, AND NOT MORE THAN \$1,000,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES OR BOTH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN

AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond Resolution provides for the issuance of Combined Waterworks and Sewerage System Revenue Bonds of the Issuer (the "Bonds"), in an aggregate principal amount not to exceed \$1,000,000, to be issued in two series, the Series 1987 A Bonds to be in an aggregate principal amount of not more than \$800,000 (the "Series 1987 A Bonds") and the Series 1987 B Bonds to be in an aggregate principal amount of not more than \$200,000 (the "Series 1987 B Bonds"), and has authorized the execution and delivery of a loan agreement relating to the Series 1987 A Bonds dated August 21, 1987, and a supplemental loan agreement relating to the Series 1987 B Bonds, also dated August 21, 1987 (sometimes collectively referred to herein as the "Loan Agreement"), by and between the Issuer and West Virginia Water Development Authority (the "Authority"), all in accordance with Chapter 16, Article 13A, West Virginia Code, 1931, as amended (the "Act"); and in the Bond Resolution it is provided that the exact principal amounts, maturity dates, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted and that the Loan Agreement be entered into and ratified by the Issuer, that the exact principal amounts, the prices, the maturity dates, the redemption provisions, the interest rates and the interest and principal payment dates of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF RED SULPHUR PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Bond Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued:

(A) The Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A, of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of \$738,647. The Series 1987 A Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2026, shall bear interest at the rate of 8.38% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable April 1, 1988, shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1987 A Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Loan Agreement and incorporated therein by reference.

(B) The Sewer Revenue Bonds, Series 1987 B, of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of \$181,173. The Series 1987 B Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2026, shall be interest free, shall be subject to redemption upon the written consent of the Authority, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1987 B Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Supplemental Loan Agreement and incorporated therein by reference.

Section 2. All other provisions relating to the Bonds and the text of the Bonds shall be in substantially the forms provided in the Bond Resolution.

Section 3. The Issuer does hereby approve, accept and ratify the Loan Agreement, copies of which are incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby ratified and approved. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon.

Section 4. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar for the Bonds and does approve and

accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and One Valley Bank, National Association, in substantially the form attached hereto, and the execution and delivery by the Chairman of the Registrar's Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent for the Bonds.

Section 6. The Issuer does hereby appoint and designate First National Bank of Peterstown, Peterstown, West Virginia, as Depository Bank under the Bond Resolution.

Section 7. Series 1987 A Bond Proceeds in the amount of \$96,500 shall be deposited in the Series 1987 A Sinking Fund, as capitalized interest.

Section 8. Series 1987 A Bond Proceeds in the amount of \$-0- shall be deposited in the Series 1987 A Bonds Reserve Account and Series 1987 B Bond Proceeds in the amount of \$-0- shall be deposited in the Series 1987 B Bonds Reserve Account.

Section 9. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Bonds may be delivered on or about November 16, 1987, to the Authority pursuant to the Loan Agreement.

Section 10. The financing of the Project in part with proceeds of the Bonds is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 11. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Bond Resolution in the West Virginia "Consolidated Fund," and therefore the Issuer hereby directs the Depository Bank and the Paying Agent to take such actions as may be necessary to cause such moneys to be invested in the Consolidated Fund, until further directed by the Issuer.

Section 12. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and

any regulations promulgated thereunder (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. They will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 13. The Issuer hereby determines to pay, on the date of delivery of the Bonds and receipt of proceeds thereof, all borrowings of the Issuer heretofore incurred for the purpose of temporarily financing a portion of the Costs of the Project, including, but not limited to, any borrowings incurred for the purpose of paying engineering or design costs.

Section 14. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 12th day of November, 1987.

RED SULPHUR PUBLIC SERVICE DISTRICT

Basil S. Meadows  
Chairman

11/12/87  
RSPSD1-B





RED SULPHUR PUBLIC SERVICE DISTRICT

\$540,000 Combined Waterworks and  
Sewerage Revenue Refunding Bonds

BOND RESOLUTION

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RED SULPHUR PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ISSUANCE OF \$540,000 COMBINED WATERWORKS AND SEWERAGE REVENUE REFUNDING BONDS OF RED SULPHUR PUBLIC SERVICE DISTRICT, MONROE COUNTY, WEST VIRGINIA, TO REFUND THE BONDS OF THE DISTRICT OUTSTANDING; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING FOR RATES AND CHARGES FOR THE SERVICES AND FACILITIES OF THE SYSTEM; PROVIDING FOR COMPULSORY USE OF THE SEWER FACILITIES; PROVIDING GENERALLY FOR THE RIGHTS OF THE BONDHOLDERS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT.

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF RED SULPHUR PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS  
AND DEFINITIONS

Section 1.01. Authority for this Resolution. This resolution is adopted pursuant to the provisions of Article 13A, Chapter 16 of the Code of West Virginia, and other applicable provisions of law.

Section 1.02. Findings and Determinations. It is hereby found, determined and declared as follows:

(A) Red Sulphur Public Service District (herein called the "District") in Monroe County, State of West Virginia, now owns a combined waterworks and sewerage system and has outstanding its Combined Waterworks and Sewerage Revenue Bonds, dated the first day of January, 1966 (the "1966 Bonds"), in the aggregate principal amount of \$540,000, in the denomination of \$5,000 each, bearing interest at the rate of 4-3/4% per annum, and maturing January 1 of the years 1974 to 1976, inclusive, and 2000, the 1966 Bonds maturing January 1, 2000, being subject to mandatory redemption prior to maturity from moneys to be accumulated in the Redemption Fund established by the 1966 Resolution. The Board is advised and believes that such provisions for maturing the 1966 Bonds and the provisions of the 1966 Resolution are harmful to the trading of the 1966 Bonds

and would prevent issuance of additional bonds to finance capital additions, extensions and improvements which might be necessary or desirable in the proper operation of the System and in serving the area in which the System is located with water and sewer services. This Board has, accordingly, and does hereby determine to refund, by exchange on a bond for bond basis, the 1966 Bonds as hereinafter provided, all at no cost to the District and at lower average and maximum annual debt service requirements. All the 1966 Bonds are held by Columbian Securities, Inc., and said firm has suggested and agreed to the refunding, without premium, herein provided for. The Town of Peterstown is included within the boundaries of the District and owns an existing combined waterworks and sewerage system which the District will operate, maintain, manage and improve, at least until all Bonds at any time issued under the authority of this Resolution and the interest thereon have been paid in full or legal and sufficient provision for such payment shall have been irrevocably made, under a contract between the District and said Town dated January 25, 1964, and heretofore approved by the Public Service Commission of West Virginia, and ratified and confirmed by the Council of the Town as binding under this resolution the same as under the 1966 Resolution. The District has heretofore entered into performance of said contract and, as provided therein, has heretofore paid into the Water and Sewer Bond Fund established for said Town's outstanding issue of 4% Water and Sewer Revenue Refunding Bonds, the principal amount of which outstanding on the date of adoption hereof is \$15,000, the sum of \$21,282.67, which payment into said Water and Sewer Bond Fund covered the entire principal amount of such 4% Water and Sewer Revenue Refunding Bonds outstanding and all interest thereon to the date of payment thereof, said 4% Water and Sewer Revenue Refunding Bonds not being redeemable prior to the stated maturities thereof. Such payment constituted legal and sufficient provision for payment in cash of said 4% Water and Sewer Revenue Refunding Bonds and the interest coupons appertaining thereto as the same

should become due, and the lien thereof upon the revenues of said combined waterworks and sewerage system of said Town was, by such payment, discharged;

(B) It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the District that the said bond issue be refunded as above and hereinafter provided;

(C) It is necessary for the District to issue its revenue refunding bonds in the principal amount of \$540,000 to accomplish the refunding by exchange of the 1966 Bonds;

(D) The period of usefulness of the System after the issuance of the 1973 Bonds is not less than thirty years;

(E) Upon the refunding herein provided for, there will not be outstanding any unpaid obligations of the District which will have priority over or rank on a parity with the 1973 Bonds.

Section 1.03. Use of Sewer Facilities Mandatory. The mandatory use of the sewer facilities of the System is hereby determined and declared to be essential and necessary for the protection and preservation of the public health, comfort, safety, convenience, welfare and economy of the inhabitants of the District and for the rendering harmless of sewage and water-borne waste matter produced or arising within the District. Accordingly, every owner, tenant and occupant of every lot, parcel and tract of land which abuts on a street, road, alley or other public way in which any sewer line, main or facility is located or which is located within 100 feet thereof and upon which lot, parcel or tract a building or other habitable structure has been or shall be erected for residential, commercial or industrial use, and from which sewage will flow by gravity to such sewer line, main or facility, shall connect such building or structure with the System immediately and shall refrain from using and cease to use any other method for the disposal of sewage or water-borne waste matter and shall pay the charges, fees and rates provided herein.

Any such building or structure not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the District and a public nuisance which shall be abated as promptly as possible by proceedings in the Circuit Court of Monroe County or other court of competent jurisdiction.

Section 1.04. Resolution to Constitute Contract. In consideration of the acceptance of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this resolution shall be deemed to be and shall constitute a contract between the District and such Bondholders, and the covenants and agreements herein set forth to be performed by the District shall be for the equal benefit, protection and security of the legal holders of any and all such Bonds, and the coupons appertaining thereto, all which shall be of equal rank without preference, priority or distinction of any of the Bonds or coupons over any other thereof, except as expressly provided therein and herein.

Section 1.05. Definitions. The following terms shall have the following meanings in this resolution unless the text otherwise expressly requires:

"Act" shall mean Article 13A, Chapter 16 of the Code of West Virginia.

"Board" shall mean the Public Service Board of the District, the governing body of the District under the Act.

"1966 Bonds" means the Combined Waterworks and Sewerage Revenue Bonds of the District dated the first day of January, 1966.

"Bonds" shall mean the \$540,000 Combined Waterworks and Sewerage Revenue Refunding Bonds originally authorized to be issued pursuant to this resolution and shall also be deemed to include, where appropriate, the interest coupons attached to said Bonds; and shall also include any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained in this resolution, and the interest coupons appertain-

ing to said additional parity Bonds.

"1973 Bonds" means the Bonds initially issued pursuant hereto, dated July 1, 1973, and the interest coupons appertaining thereto.

"Chairman" shall mean the Chairman of the Board.

"Consulting Engineer" shall mean Holley, Kenney, Schott & Associates, Inc., Consulting Engineers, Beckley, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the District as Consulting Engineer for the System.

"District" shall mean Red Sulphur Public Service District, of Monroe County, West Virginia, and, where appropriate, shall also mean the Public Service Board thereof.

"Facilities" shall mean all the facilities of the System, both water and sewer, and also any facilities which may hereafter be added to the System by any additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"Fiscal Year" shall mean each year beginning on July 1 and ending on the succeeding June 30.

"Holder of the Bonds" or "Bondholder" or any similar term shall mean any person who shall be the bearer or owner of any outstanding Bond or Bonds registered to bearer or not registered, or the registered owner of any outstanding Bond or Bonds which shall at the time be registered other than to the bearer, or of any coupons representing interest accrued or to accrue on said Bonds.

"Net Revenues" shall mean the balance of the gross revenues, defined below, remaining after deduction only of operating expenses, as defined below.

"Operating Expenses" shall mean the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and shall include without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the

District relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting practices.

"Revenues" or "gross revenues" shall mean all rates, rents, fees, charges or other income received by the District, or accrued to the District, or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

"1966 Resolution" means the resolution adopted April 18, 1966, by the Board authorizing issuance of the 1966 Bonds.

"Secretary" shall mean the Secretary of the Board.

"System" shall mean the complete combined waterworks and sewerage system of the District, including all water and sewer facilities owned by the District and all facilities and other property of every nature, real, personal or intangible, now or hereafter owned, held or used in connection with the System; and shall also include the combined waterworks and sewerage system and facilities of the Town of Peterstown operated and managed by the District under an agreement dated January 25, 1964, and approved by the Public Service Commission of West Virginia; and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the System or any part thereof after completion of the initial construction and acquisition provided for herein.

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.



## ARTICLE II

### AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 2.01. Authorization of 1973 Bonds. Subject and pursuant to the provisions of this resolution, Bonds of the District, to be known as "Combined Waterworks and Sewerage Revenue Refunding Bonds", are hereby authorized to be issued in the aggregate principal amount of not exceeding Five Hundred Forty Thousand Dollars (\$540,000), for the purpose of refunding the 1966 Bonds, by exchange, now outstanding in the same aggregate principal amount.

Section 2.02. Description of 1973 Bonds. The Bonds shall be dated the first day of July, 1973, shall be in the denomination of \$5,000 each, shall be numbered consecutively from 1 to 108, both inclusive, and shall bear interest, payable semiannually on January 1 and July 1 of each year, at the rate of four and three-fourths per centum (4-3/4%) per annum. The 1973 Bonds shall be exchanged for all the 1966 Bonds outstanding with Columbian Securities, Inc., holder of all the 1966 Bonds, without premium and without any requirement for payment of accrued interest, there being none upon the exchange. The 1973 Bonds shall mature on January 1 in years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1974	\$ 5,000	1983	\$15,000	1992	\$25,000
1975	5,000	1984	15,000	1993	25,000
1976	10,000	1985	15,000	1994	25,000
1977	10,000	1986	20,000	1995	30,000
1978	15,000	1987	20,000	1996	30,000
1979	15,000	1988	20,000	1997	30,000
1980	15,000	1989	20,000	1998	30,000
1981	15,000	1990	20,000	1999	35,000
1982	15,000	1991	25,000	2000	35,000

The 1973 Bonds maturing in the years 1989 and thereafter shall be redeemable prior to their stated dates of maturity, at the option of the District, in whole or in part, but in inverse numerical order if less than

all on January 1, 1988, or on any interest payment date thereafter, at the price of the par value thereof and accrued interest to the date fixed for redemption, without premium.

A notice of the redemption of any of the Bonds shall be published at least once not less than thirty nor more than sixty days prior to the date of redemption in a financial newspaper published in the City of New York, New York. Interest shall cease upon any of the Bonds so called for prior redemption on the redemption date, provided payment thereof has been duly made or provided for.

The 1973 Bonds shall be issued in negotiable, serial, coupon form, shall be payable with respect to both principal and interest in lawful money of the United States of America at the office of the State Sinking Fund Commission, Charleston, West Virginia, and shall bear interest from their date, payable in accordance with and upon the surrender of the appurtenant interest coupons as they severally mature.

Section 2.03. Execution of Bonds and Coupons. The Bonds shall be executed in the name of the District by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the District by such person as at the actual time of the execution of such Bonds shall hold the proper office on the Board, although at the date of such Bond such person may not have held such office or may not have been so authorized.

The coupons to be attached to the Bonds shall be authenticated with the facsimile signatures of the present or any future Chairman and

Secretary, and the District may adopt and use for that purpose the facsimile signature of any person who shall have been such Chairman or Secretary at any time on or after the date of the Bonds, notwithstanding that he may have ceased to be such Chairman or Secretary at the time when said Bonds shall be actually sold and delivered.

Section 2.04. Negotiability and Registration. The Bonds shall be and have all the qualities and incidents of negotiable instruments under the law merchant and the Uniform Commercial Code of the State of West Virginia, and shall pass by delivery except when registered as hereinafter provided.

The Bonds may be registered at the option of the holder as to principal only in the Bond Register of the Treasurer of the State of West Virginia, Charleston, West Virginia, such registration to be noted on the Bonds in the space provided therefor and thereafter no transfer of any Bond so registered shall be valid unless made at said office by the registered owner, or by his duly authorized agent or representative, and similarly noted on such Bond, but any Bond may be discharged from registration by being in like manner transferred to bearer and thereupon transferability by delivery shall be restored. At the option of the holder any such Bond may thereafter again from time to time be registered or transferred to bearer as before. Such registration shall not affect the negotiability of the coupons which shall continue to pass by delivery.

Section 2.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the District may in its discretion issue and deliver a new Bond with all unmatured coupons attached of like tenor as the Bond and attached coupons, if any, so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond and attached coupons, if any, or in lieu of and substitution for the Bond and attached coupons, if any, destroyed, stolen or lost, and upon the holder's furnishing the District proof of his ownership thereof

and satisfactory indemnity and complying with such other reasonable regulations and conditions as the District may prescribe and paying such expenses as the District may incur. All Bonds and coupons so surrendered shall be canceled and held for the account of the District. If any such Bond or coupon shall have matured or be about to mature, instead of issuing a substitute Bond or coupon, the District may pay the same, upon being indemnified as aforesaid, and, if such Bond or coupon be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bond and coupon issued pursuant to this Section 2.05 shall constitute original, additional contractual obligations on the part of the District, whether or not the lost, stolen or destroyed Bonds or coupons be at any time found by anyone, and such duplicate Bonds and coupons shall be entitled to equal and proportionate benefits with all other Bonds and coupons issued hereunder.

Section 2.06. Bonds Secured by Pledge of Revenues. The payment of the debt service of all the Bonds shall be secured forthwith equally and ratably by a first lien on the net revenues derived from the System in addition to the statutory mortgage lien on the System hereinafter provided for. The net revenues derived from the System in an amount sufficient to pay the principal of and interest on the Bonds, and to make the payments into the Sinking Fund hereinafter provided for, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 2.07. Form of Bonds and Coupons. Subject to the provisions of this resolution, the text of the Bonds, the provision for registration to be endorsed thereon and the coupons shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted by this resolution or any subsequent resolution adopted prior to the issuance thereof:

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
COUNTY OF MONROE  
RED SULPHUR PUBLIC SERVICE DISTRICT  
COMBINED WATERWORKS AND SEWERAGE  
REVENUE REFUNDING BOND

No.

\$5,000

RED SULPHUR PUBLIC SERVICE DISTRICT, in the County of Monroe, State of West Virginia, a public corporation and political subdivision of the State of West Virginia (herein called the "District"), for value received, hereby promises to pay to the bearer, or, if this Bond be registered, to the registered holder as herein provided, on the first day of January, 19 , from the revenues hereinafter mentioned, the principal sum of

FIVE THOUSAND DOLLARS

with interest thereon at the rate of four and three-fourths per centum (4-3/4%) per annum, payable semiannually on the first day of January and the first day of July of each year, upon the presentation and surrender of the annexed coupons as they severally fall due. Both principal of and interest on this Bond are payable in lawful money of the United States of America at the office of the State Sinking Fund Commission, Charleston, West Virginia.

The Bonds of the issue of which this Bond is one maturing in the years 1989 and thereafter are redeemable prior to their stated dates of maturity at the option of the District, in whole or in part, but in inverse numerical order if less than all, on January 1, 1988, or on any interest payment date thereafter, at the price of par and accrued interest to the date fixed for redemption, without premium. Notice of such redemption shall be published at least once not less than thirty nor more than sixty days prior to the redemption date in a financial newspaper published in the City of New York, New York. Interest shall cease upon

this Bond after the date fixed for redemption if it shall be duly called for prior redemption and payment thereof made or duly provided for.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of Five Hundred Forty Thousand Dollars (\$540,000) of like date, tenor and effect, except as to number and date of maturity, issued to refund, by exchange, the Combined Waterworks and Sewerage Revenue Bonds of the District dated the first day of January, 1966 (the "1966 Bonds"), and outstanding in the same aggregate principal amount, under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Article 13A, Chapter 16 of the Code of West Virginia (herein called the "Act") and other applicable statutes, and a Resolution duly adopted by the Public Service Board of the District.

This Bond and the coupons appertaining hereto are payable solely from, and secured by a first lien upon and pledge of the net revenues derived from the operation of the combined waterworks and sewerage system of the District (the "System") with monthly payments from such revenues to be made into the Sinking Fund with the State Sinking Fund Commission for payment of the principal hereof and interest hereon, in the manner provided in the Resolution, and do not and shall not in any event constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall never be obligated to pay this Bond or the interest hereon except from the revenues of the System, as provided in the Resolution. The District, in the Resolution, covenants with the holders of the Bonds of the issue of which this Bond is one to establish and at all times maintain such rates and collect such charges for the services and facilities of the System and to revise the same from time to time whenever necessary as will always provide revenues in each fiscal year sufficient to pay at least 125% of the principal of and interest on the Bonds and 100% of the necessary

expenses of operating and maintaining the System in each fiscal year, and the District has entered into certain other covenants with the holders of the Bonds, for the terms of which reference is made to the Resolution.

Additional parity Bonds of equal rank with this Bond and the Bonds of the issue of which this Bond is one, as to lien and source of and security for payment, may be issued under the provisions and restrictions contained in the Resolution.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in regular and due form and time as required by the laws and Constitution of the State of West Virginia applicable thereto, and that the issuance of this Bond and of the issue of Bonds of which this Bond is one is not in violation of any constitutional or statutory limitation of indebtedness.

This Bond, under the provisions of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

This Bond may be registered as to principal only in accordance with the provisions endorsed hereon.

This Bond and the interest hereon are exempt from taxation by the State of West Virginia and the other taxing bodies of said State.

IN WITNESS WHEREOF, Red Sulphur Public Service District has caused this Bond to be signed by the Chairman of its Public Service Board and its corporate seal to be affixed hereto and attested by the Secretary of said Board, and the annexed coupons to be executed with the facsimile signatures

of said Chairman and said Secretary, all as of the first day of July, 1973.

RED SULPHUR PUBLIC SERVICE DISTRICT

By \_\_\_\_\_  
Chairman of its  
Public Service Board

ATTEST:

[SEAL]

\_\_\_\_\_  
Secretary of its  
Public Service Board



(FORM OF COUPON)

\$118.75

On the first day of \_\_\_\_\_, 19\_\_\_\_, Red Sulphur Public Service District, in Monroe County, West Virginia, will pay to the bearer, unless the Bond to which this coupon was originally attached be subject to redemption, and be sooner redeemed or its redemption be duly provided for, at the office of the State Sinking Fund Commission, Charleston, West Virginia, solely from the revenues described in the Bond to which this coupon is attached, the sum shown hereon in lawful money of the United States of America, upon presentation and surrender of this coupon, being six months' interest then due on its Combined Waterworks and Sewerage Revenue Refunding Bond, dated July 1, 1973, No.

RED SULPHUR PUBLIC SERVICE DISTRICT

By \_\_\_\_\_  
Chairman,  
Public Service Board

ATTEST:

\_\_\_\_\_  
Secretary,  
Public Service Board

PROVISION FOR REGISTRATION

This Bond may be registered in the name of the holder as to principal only on books kept by the Treasurer of the State of West Virginia, such registration being noted hereon in the registration blank below, after which no transfer shall be valid unless made on said books by the registered holder or his agent or representative duly authorized, and similarly noted in said registration blank below, but it may be discharged from registration by being transferred to bearer, after which it shall be transferable by delivery. At the option of the holder, this Bond shall again be subject to successive registrations and transfers as before. The principal of this Bond, if registered, shall be payable only to the registered owner or his legal representative. Notwithstanding the registration of this Bond, the coupons shall remain payable to bearer and shall continue to be transferable by delivery merely.

(No writing on this Bond except  
by the Treasurer of the State of  
West Virginia as Registrar.)

<u>Date of Registration</u>	<u>In Whose Name Registered</u>	<u>Registrar</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

ARTICLE III  
EXCHANGE OF BONDS; REVENUES AND  
APPLICATION THEREOF

Section 3.01. Exchange of Bonds. Upon execution of the 1973 Bonds and tender to the District of all the 1966 Bonds and all unmatured coupons appertaining to the 1966 Bonds, or a bond to indemnify the District against loss as to any unmatured coupons not tendered with the 1966 Bonds, the Chairman or the Secretary, or both, are hereby authorized and directed to deliver to Columbian Securities, Inc., all the 1973 Bonds with coupons attached representing interest payable thereon to the maturities thereof. Such delivery shall be upon simultaneous receipt of all the \$540,000 1966 Bonds outstanding and all interest coupons appertaining thereto and not matured, or the aforesaid bond in lieu of missing coupons. Such exchange shall not be made, however, until any documents and certificates have been delivered and reimbursement of expenses and payment of legal fees have been made by Columbian Securities to the satisfaction of Steptoe & Johnson, of Clarksburg, West Virginia, bond counsel to the District, all at no cost or expense to the District or to any official thereof. The 1966 Bonds and the coupons appertaining thereto shall be canceled and not reissued.

Section 3.02. Covenants of the District as to Revenues and Funds. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Sinking Fund and Reserve Account therein, hereinafter established, a sum sufficient to pay, when due, the entire principal of the Bonds remaining unpaid together with interest accrued and to accrue thereon, the District covenants with the holders of any and all Bonds issued pursuant to this resolution as follows:

(A) Revenue Fund. The entire gross revenues derived from the operation of the System, and all parts thereof, shall be deposited as

collected by the District in a special fund in a bank or trust company in the State of West Virginia which is a member of the Federal Deposit Insurance Corporation, which Fund (herein called the "Revenue Fund") is hereby established. The Revenue Fund shall constitute a trust fund for the purposes provided in this resolution and shall be kept separate and distinct from all other funds of the District and used only for the purposes and in the manner provided in this resolution.

(B) Disposition of Revenues. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

(1) The District shall first each month pay from the moneys in the Revenue Fund all current Operating Expenses of the System.

(2) The District shall next, before the end of each month, transfer from the Revenue Fund and remit to the State Sinking Fund Commission, for deposit into the "Sinking Fund", which is hereby established, one-sixth of the amount required to pay the interest which will mature and become due on the next interest payment date and one-twelfth of the amount required to pay the principal which will mature and become due on the next succeeding January 1, which payments for principal and interest required to be remitted to the State Sinking Fund Commission in each June and December shall be so remitted not later than each June 15 and December 15.

The District shall also, from the Revenue Fund, remit to the State Sinking Fund Commission, at such times as the State Sinking Fund Commission shall require, such additional sums as shall be necessary to pay the fiscal charges due for paying the Bonds and the interest thereon.

The State Sinking Fund Commission is hereby designated as the Fiscal Agent for the administration of the Sinking Fund created hereunder, and all amounts required for said Sinking Fund shall be remitted to the State Sinking Fund Commission from said Revenue Fund by the District at the times provided herein.

Moneys in the Sinking Fund shall be used only for the purpose of paying principal of the Bonds of the maturity dates thereof and interest on all the Bonds as the same shall become due.

The District shall next, from the Revenue Fund, remit each month to the State Sinking Fund Commission, for deposit in a Reserve Account hereby established in the Sinking Fund, the sum of \$300; provided, however, that no further payments shall be made into the Reserve Account when there shall have been deposited therein, and so long as there shall remain on deposit therein, the sum of \$36,000.

Moneys in the Reserve Account shall be used only for the purpose of the payment of maturing principal of or interest on the Bonds when other moneys in the Sinking Fund are insufficient therefor, and for no other purpose. Any moneys withdrawn from the Reserve Account for the payment of principal of and interest on the Bonds shall be restored thereto from the first revenues available after the payment of all sums required for principal of and interest on the Bonds.

(3) Thereafter, from the revenues remaining in said Revenue Fund, the District shall each month pay into a fund to be known as the "Depreciation Account", which is hereby established, a sum equal to not less than five per centum (5%) of the gross revenues derived from the operation of the System during the preceding month, which sum is hereby found to be adequate and appropriate for such purpose; provided, however, that no further payments shall be made into the Depreciation Account when there shall have been deposited therein, and so long as there shall remain on deposit therein, the sum of \$30,000. The moneys in the Depreciation Account shall be used only for the replacement or addition of capital assets of the System or as otherwise provided in subsection 5 of this Section 3.02(B).

The Depreciation Account shall be deposited in and maintained with a bank or trust company in the State of West Virginia which is a

member of the Federal Deposit Insurance Corporation. The moneys in the Depreciation Account may, in the discretion of the District, be invested and reinvested in direct obligations of the United States of America.

(4) If all the above-required payments are then current, the District may retain as working capital an amount equal to not more than one-sixth of the sum shown in its budget for the current year for Operating Expenses, and shall transfer the balance in the Revenue Fund to the Depreciation Account.

(5) If the District finds and determines by resolution, concurred in by certificate in writing signed by the Consulting Engineer, that any part of the moneys in the Depreciation Account are not needed for the purposes of the Depreciation Account during the current fiscal year and the next ensuing fiscal year, the District may use such surplus moneys to redeem Bonds pursuant to the provisions hereof. For the purposes of such redemption, the District shall transmit the funds to be used for such redemption to the State Sinking Fund Commission with instructions as to the use thereof and a proper redemption notice.

All the funds provided for in this Section 3.02 shall constitute trust funds and shall be used only for the purposes and in the order provided herein. The moneys in excess of the sum insured by Federal Deposit Insurance Corporation in the Revenue Fund and the Depreciation Account shall at all times be secured, to the full extent thereof in excess of such insured sum, by direct obligations of the United States of America, or such other obligations as shall be eligible as security for deposits of State and municipal funds under the laws of the State of West Virginia.

If on any payment date the revenues are insufficient to place the required amount in any of the funds as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds on the subsequent payment dates.

Whenever moneys in the Sinking Fund and including the Reserve Account therein are sufficient to retire all Bonds outstanding, such moneys shall be used for the earliest practical retirement of all Bonds outstanding at prices not greater than the par value thereof plus accrued interest to the date of such retirement. The District may, at its option, use moneys in the Depreciation Account to make up a fund sufficient, with the above moneys, to retire all outstanding Bonds.

Section 3.03. Transfer of 1966 Bonds Moneys. Upon exchange of the 1966 Bonds for the 1973 Bonds, all moneys in the Sinking Fund and the Reserve Account and the Redemption Fund therein and in the Depreciation Account, established by the 1966 Resolution, shall be transferred at once by the State Sinking Fund Commission and the District to the respective accounts and funds of the same name established by Section 3.02 hereof, except that moneys in the said Redemption Fund shall be transferred to the Sinking Fund hereby established.

ARTICLE IV  
GENERAL COVENANTS

Section 4.01. General Statement. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Sinking Fund a sum sufficient to pay when due, or redeem prior to maturity, the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon, the covenants and agreements contained in this Article IV, and in this resolution, shall be and constitute valid and legally binding covenants between the District and the holders from time to time of the Bonds and the interest coupons appertaining thereto.

Section 4.02. Rates. The District will, in the manner provided in the Act, fix such rates and collect such rentals, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to pay at least one hundred twenty-five per centum (125%) of the average amount of principal and interest on the Bonds maturing in any year and one hundred per centum (100%) of the necessary expenses of operating and maintaining the System during such fiscal year and such rates, fees, rentals and other charges shall not be reduced so as to be insufficient to provide adequate revenues for such purposes.

Section 4.03. Sale of the System. The System may be sold, mortgaged, leased, or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient fully to pay or redeem at or prior to maturity all the Bonds and the interest thereon. The proceeds from such sale, mortgage, lease or other disposition of the System shall immediately be remitted to the State Sinking Fund Commission and the District shall direct said Commission to apply such proceeds to the payment of principal and interest at



maturity of Bonds when due, or the redemption prior to maturity, at the redemption price, of all outstanding Bonds. Any balance remaining after the redemption or payment of all the Bonds and interest thereon shall be remitted to the District by the State Sinking Fund Commission unless necessary for the payment of other obligations issued by the District and payable out of the revenues of the System.

The foregoing provision notwithstanding, the District shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of said property, if the amount to be received therefor is not in excess of Ten Thousand Dollars (\$10,000), the general manager or other duly authorized officer in charge of the System shall make a finding in writing determining that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and such proceeds shall be deposited in the Depreciation Account and used only as provided herein for such fund.

If the amount to be received from such sale, lease or other disposition of said property shall be in excess of Ten Thousand Dollars (\$10,000) and not in excess of Fifty Thousand Dollars (\$50,000), the general manager or other duly authorized officer in charge of the System shall first make a finding in writing, which shall be approved by the Consulting Engineer, determining that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Board shall, by resolution duly adopted, approve and concur in the finding of the general manager or other duly authorized officer, and authorize such sale, lease or other disposition of said property. The proceeds derived from any such sale, lease or other disposition of said property under the provisions of this paragraph shall be

remitted by the District to the State Sinking Fund Commission for deposit in the Sinking Fund.

Payments of such proceeds into the Sinking Fund or the Depreciation Account shall not reduce the amounts required to be paid into said Funds by other provisions of this resolution.

No sale, lease or other disposition of the properties of the System shall be made, if the proceeds to be derived therefrom shall be in excess of Fifty Thousand Dollars (\$50,000) and insufficient to pay or redeem prior to maturity all the principal of Bonds then outstanding and all interest thereon to their respective dates of redemption or maturity, without the prior approval and consent in writing of the holders or their duly authorized representatives of at least two-thirds in amount of Bonds then outstanding. The District shall prepare the form of such approval and consent for execution by the Bondholders, or their duly authorized representatives, which form shall provide for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 4.04. Covenant Against Encumbrances. The District shall not issue any obligations whatsoever, except additional parity Bonds hereinafter provided for, payable from the revenues of the System which rank prior to or equally as to lien on and source and security for payment from such revenues with the Bonds; and all obligations hereafter issued by the District payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source and security for payment from such revenues and in all other respects, to the Bonds.

The District shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge, having priority to or being on a parity with the lien of the Bonds and the inter-

est thereon, upon any of the income and revenues of the System pledged as security therefor in this resolution, or upon the System or any part thereof.

Section 4.05. Issuance of Additional Parity Bonds. No additional parity Bonds, as in this Section defined, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this resolution, except under the conditions and in the manner herein provided.

(A) No such additional parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions, additions and improvements to the System, except as provided in subsection (I) of this Section 4.05.

(B) No such additional parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary a written certification by a certified public accountant not in the regular employ of the District, based upon the necessary investigation, reciting the conclusion that the net revenues, as defined herein and adjusted as provided below, actually derived from the System during the twelve consecutive months immediately preceding the date of the issuance of such additional parity Bonds, shall have been not less than one hundred twenty-five per centum (125%) of the largest aggregate amount which will mature and become due in any succeeding calendar year for principal of and interest on the Bonds originally issued pursuant to this resolution then outstanding, and on any additional parity Bonds theretofore issued pursuant to the provisions contained in this resolution then outstanding, and on the additional parity Bonds then proposed to be issued, such largest aggregate amount to be computed, as to any term Bonds which might be outstanding, on the basis of retirement of such term Bonds throughout the remaining life of the term Bonds by approximately level annual debt service.

(C) The net revenues actually derived from the System during the twelve consecutive months immediately preceding the date of the issuance of such additional parity Bonds may, for the purposes of this Section 4.05, be adjusted by adding to such net revenues any estimated additional net revenues which an increase in rates approved by the Public Service Commission and then in effect for not less than three months would have produced during such twelve months. The amount of such estimated net revenues to be added shall be estimated in writing by the Consulting Engineer and approved by a certified public accountant not in the regular employ of the District.

(D) Prior to the issuance of any such additional parity Bonds, the District shall have entered into written contracts for the immediate acquisition or construction of such additions, extensions or improvements to the System which are to be financed by such additional parity Bonds.

(E) The term "additional parity Bonds", as used in this Section, shall be deemed to mean additional Bonds issued under the provisions and within the limitations of this Section, payable from the revenues of the System on a parity with Bonds originally authorized and issued pursuant to this resolution, and all the covenants and other provisions of this resolution (except as to details of such additional parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the holders of any Bonds originally authorized and issued pursuant to this resolution and the holders of any additional parity Bonds subsequently issued within the limitations of and in compliance with this Section. All such Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System, and their source and security for payment from said revenues, without preference of any Bond or coupon over any other. The District shall comply fully with all the increased payments into the various funds created in this resolution required for such additional parity Bonds, in addition to the payments required for Bonds originally issued hereunder. Redemption of Bonds prior to maturity, in the event that Bonds originally issued hereunder and addi-

tional parity Bonds hereby authorized are outstanding, shall be by lot as to all Bonds with the same maturity date.

(F) All additional parity Bonds issued pursuant to this Section shall mature serially on January 1 of each year of maturity, and the semi-annual interest thereon shall be payable January 1 and July 1 of each year.

(G) The term "additional parity Bonds" as used in this Section shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior lien on such revenues of the Bonds issued pursuant to this resolution, and the District shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or equally, as to lien on and source and security for payment from such revenues, with Bonds issued pursuant to this resolution except in the manner and under the conditions provided in this Section.

(H) No additional parity Bonds, as in this Section defined, shall be created at any time, however, unless all the payments into the respective Funds provided for in this resolution on Bonds then outstanding and all other payments provided for in this resolution shall have been made in full to the date of issuance of the additional parity Bonds and the District shall have fully complied with all the covenants, agreements and terms of this resolution.

(I) With the written consent in advance of the Investment Banker, if any, which has underwritten or purchased the Bonds issued pursuant to this resolution and anything to the contrary in subsections (A), (B), (C) and (D) of this Section 4.05 notwithstanding, additional parity Bonds may be authorized and issued by the District pursuant to supplemental resolution in the event that the Bonds authorized and issued should be insufficient to pay all costs of construction of the improvements to be financed by the Bonds. Any such additional parity Bonds authorized and issued under the provisions of this subsection (I) shall be limited to the

aggregate principal amount required to make up any deficiency in funds for payment of such construction costs as defined in this resolution, and the maturities of any such additional parity Bonds shall be in years and amounts suggested by such Investment Banker. All provisions of subsections (E), (F), (G) and (H) of this Section 4.05 shall be fully complied with in the authorization and issuance of additional parity Bonds under this subsection (I).

Section 4.06. Insurance. The District hereby covenants and agrees that so long as any of the Bonds remain outstanding, it will, as an expense of operation and maintenance of the System, procure, carry and maintain insurance covering the following risks and in the following amounts:

(a) Fire and Extended Coverage Insurance on all insurable portions of the System in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty per centum (80%) of the full insurable value of the damaged facility. In the event of any damage to or destruction of the System, the District shall promptly arrange for the application of the insurance proceeds for the repair or reconstruction of the damaged or destroyed portion thereof.

(b) Public Liability Insurance relating to the operation of the System with limits of not less than \$100,000 for one person and \$300,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death, and not less than \$10,000 from claims for damage to property of others which may arise from the District's operation of the System.

(c) Vehicular Public Liability Insurance, in the event the District owns or operates any vehicle in the operation of the System, with limits of not less than \$100,000 for one person and \$300,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death, and not less than \$10,000 from claims for damage to property of others which may arise from the District's operation of vehicles, such insurance to be procured simultaneously with acquisition or commencement of operation of any such vehicle.

Section 4.07. Books and Records. The District will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and any holder of a Bond or Bonds, his agents and representatives, shall have the right at all reasonable times to inspect the System and all records, accounts and data of the District relating thereto.

The District shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of public accountants, and shall make available the report of said accountants at all reasonable times to the original purchaser of the Bonds, any holder or holders of the Bonds, or any customer receiving services from the System, or anyone acting for and in behalf of such Bondholder, Bondholders or customer.

In any fiscal year in which an examination and written audit report of the System is made by the State Tax Commissioner pursuant to the laws of the State of West Virginia, such audit report may be furnished in lieu of the audit report mentioned above.

Section 4.08. Maintenance of System. The District will maintain the System in good condition and repair and continuously operate the same in an efficient manner and at a reasonable cost.

Section 4.09. Statutory Mortgage Lien Created. The holders of the Bonds and coupons appertaining thereto shall have a statutory mortgage lien upon the System pursuant to the provisions of the Act, which statutory mortgage lien shall exist in favor of and shall be enforceable in any lawful manner by the holders of the Bonds, and each of them, and to and in favor of the holders of the coupons, and the System shall remain subject to such statutory mortgage lien until payment in full of the principal and interest of the Bonds, whereupon, such lien shall be discharged. Said statutory mortgage lien shall be a first lien on the System, and the Dis-

trict shall not place or permit any other lien or encumbrance thereon or any part thereof.

Section 4.10. No Free Services. The District will not render or cause to be rendered any free services of any nature by the System except as hereinafter provided, nor will any preferential rates be established for users of the same class.

Section 4.11. Operating Budget. The District shall annually, at least forty-five days preceding the beginning of each fiscal year, prepare and adopt by resolution of the Board a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year. No expenditures for the operation and maintenance of the System shall be made in any fiscal year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the general manager of the System or other duly authorized officer in charge thereof, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Board shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of ten per centum (10%) of the amount of such budget shall be made except upon the further certificate of the Consulting Engineer that such increased expenditures are necessary for the continued operation of the System. The District shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to any holder or holders of Bonds who shall file his address with the District and request in writing that copies of all such budgets and resolutions be furnished him or them, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Bondholder or Bondholders or anyone acting for and in behalf of such Bondholder or Bondholders.



Section 4.12. Remedies and Appointment of Receiver. Any holder or holders of the Bonds or the coupons appertaining thereto may, by proper action, either at law or in equity, compel the performance of the duties of the District under this resolution and the Act. If there be default in the payment of principal or interest upon any of the Bonds or coupons appertaining thereto or in the performance of any covenant contained in this resolution and such default shall continue for a period of sixty days, any holder or holders of the Bonds or such coupons shall, in addition to all other remedies or rights, have the right by appropriate proceedings at law or in equity to obtain the appointment of a receiver to administer the System on behalf of the District, without power to charge rates, rentals, fees or other charges sufficient to provide for the payment of the Bonds and the interest thereon and for the payment of operating expenses and all other payments provided herein, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this resolution and the Act.

Section 4.13. Enforcement of Collections. The District will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act and other laws of the State of West Virginia.

The District further covenants and agrees that it will, to the full extent permitted by law, under reasonable rules and regulations, discontinue and shut off the services and facilities of the System, and all parts thereof, for nonpayment of the fees, rentals or other charges for the services and facilities of the System, or any part thereof, and will not restore any of the services and facilities of the System, or any part thereof, until all delinquent charges for the services and facilities of all parts of the System, plus reasonable penalties and charges for the restoration of service, have been fully paid.

Section 4.14. No Competition. The District will not grant, or cause, consent to or allow the granting of, any franchise, permit or right to any person, firm, corporation, body, agency or instrumentality whatsoever for the services provided by the System to or within the District.

Section 4.15. Consulting Engineer. The District will retain the Consulting Engineer hereinabove designated or other qualified and recognized independent engineers on an annual basis to supervise generally the operation, maintenance and renewal of the System.

## ARTICLE V

### RATES AND LIEN FOR CHARGES

Section 5.01. Rates. The District, with approval of the Public Service Commission of West Virginia, will maintain such rates, fees, rentals and charges as shall be required to produce the net revenues hereby covenanted by the District to be realized, and the District covenants and agrees that the rates, fees, rentals and charges shall be increased whenever such increase is necessary in order to comply fully with all the provisions of this resolution, and the District shall always be obligated to and shall fix, establish and collect fees, rentals, rates and other charges for the services and facilities of the System which shall at all times be sufficient for all payments into the funds and accounts hereby established and to meet the covenants in Section 4.02 hereof, and to pay all operating expenses of the System and as otherwise provided herein.

Section 5.02. Lien for Delinquent Charges. The District shall have a lien on all lands, buildings and premises served by the System for all charges for the services and facilities thereof, and the District covenants that it will diligently enforce such liens against all lands, buildings and premises where charges are delinquent for such services or facilities, in addition to discontinuing service to such lands, buildings or premises for such delinquent charges as provided in Section 4.13.

ARTICLE VI  
MISCELLANEOUS

Section 6.01. Modification or Amendment. No material modification or amendment of this resolution, or of any resolution amendatory hereof or supplemental hereto, may be made without the consent in writing of the holders of two-thirds or more in principal amount of the Bonds then outstanding; provided, however, that no modification or amendment shall permit a change in the maturity of any of the Bonds or a reduction in the rate of interest thereon, or in the amount of the principal obligation, or affecting the unconditional promise of the District to pay the principal of and interest on the Bonds as the same shall become due from the revenues of the System, without the consent of the holders of such Bonds. Notwithstanding the above, no amendment or modification shall be made which would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications.

Section 6.02. Further Assurances, Etc. The District covenants and agrees to the full extent authorized or not prohibited by law to pass any further resolutions, execute, acknowledge and deliver any assignments, assurances and any other documents necessary or desirable for the better assuring, assigning, entrusting or confirming of any or all rights, revenues, securities or funds pledged or covenanted under this resolution, at the request of the original purchaser or purchasers of the Bonds.

Section 6.03. Filing Under Uniform Commercial Code. Contemporaneously with the delivery of the Bonds, the District and Columbian Securities, Inc., shall execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia and the District shall file such a Financing Statement in the offices of the Secretary of State of the State of West Virginia and of the Clerk of the County Court of Monroe County, West Virginia.

Section 6.04. Severability of Invalid Provision. If any one or more of the covenants, agreements or provisions of this resolution should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions, and shall in no way affect the validity of all the other provisions of this resolution or the Bonds or coupons appertaining thereto.

Section 6.05. Conflicting Provisions Repealed. All resolutions and orders, or parts thereof, in conflict with the provisions of this resolution, are, to the extent of such conflicts, hereby repealed.

Section 6.06. Table of Contents and Headings. The Table of Contents and headings of the Articles and Sections hereof are for convenience only and shall neither control nor affect in any way the meaning construction of any of the provisions hereof.

Section 6.07. Effective Time. This resolution shall take effect immediately upon its adoption.

Adopted July 14, 1973.

Dennis L. Lohd  
Chairman of Public Service Board

Paul H. Mann  
Member

H. Russell Thelma  
Member

WDA-5  
(October 1986)

LOAN AGREEMENT

THIS LOAN AGREEMENT, Made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), and the governmental agency designated below (the "Governmental Agency").

RED SULPHUR PUBLIC SERVICE DISTRICT

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 20, Article 5C, of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered to make loans to governmental agencies for the acquisition or construction of water development projects by such governmental agencies and to issue water development revenue bonds of the State of West Virginia (the "State") to finance, in whole or in part, by loans to governmental agencies, one or more water development projects, all subject to such provisions and limitations as are contained in the Act;

WHEREAS, the Governmental Agency constitutes a governmental agency as defined by the Act;

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to construct, operate and improve a water development project, as defined by the Act, and to finance the cost of constructing or acquiring the same by borrowing money to be evidenced by revenue bonds issued by the Governmental Agency;

WHEREAS, the Governmental Agency intends to construct or is constructing such a water development project at the location and as more particularly described and set forth in the Application, as hereinafter defined (the "Project");

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference;

WHEREAS, having reviewed the Application and made all findings required by Section 5 of the Act and having available sufficient funds therefor, the Authority is willing to lend the Governmental Agency the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Governmental Agency with proceeds of certain water development revenue bonds of the State issued by the Authority pursuant to and in accordance with the provisions of the Act and a general resolution adopted by the Authority on May 22, 1985 (the "General Resolution"), as supplemented, subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Authority's water development loan program (the "Program") as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Governmental Agency and the Authority hereby agree as follows:

## ARTICLE I

### Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "water development revenue bond," "cost," "governmental agency," "water development project," "wastewater facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

1.2 "Consulting Engineers" means the consulting engineer designated in the Application and any successor thereto.

1.3 "Loan" means the loan to be made by the Authority to the Governmental Agency through the purchase of Local Bonds, as hereinafter defined, pursuant to this Loan Agreement.

1.4 "Local Act" means the official action of the Governmental Agency required by Section 4.1 hereof, authorizing the Local Bonds.

1.5 "Local Bonds" means the revenue bonds to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority with a portion of the proceeds of its water development revenue bonds, all in accordance with the provisions of this Loan Agreement.

1.6 "Local Statute" means the specific provisions of the Code of West Virginia, 1931, as amended, pursuant to which the Local Bonds are issued.

1.7 "Operating Expenses" means the reasonable, proper and necessary costs of operation and maintenance of the System, as hereinafter defined, as should normally and regularly be included as such under generally accepted accounting principles.

1.8 "Project" means the water development project hereinabove referred to, to be constructed or being constructed by the Governmental Agency in whole or in part with the net proceeds of the Local Bonds.

1.9 "System" means the water development project owned by the Governmental Agency, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

1.10 Additional terms and phrases are defined in this Loan Agreement as they are used.

## ARTICLE II

### The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be constructed in accordance with plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers, the Authority having found, to the extent applicable, that the Project is consistent with the applicable comprehensive plan of water management approved by the Director of the West Virginia Department of Natural Resources (or in the process of preparation by such Director), has been approved by the West Virginia Department of Health and is consistent with the standards set by the West Virginia Water Resources Board for the waters of the State affected thereby.

2.2 Subject to the terms, conditions and provisions of this Loan Agreement and of the Local Act, the Governmental Agency has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do all things necessary to construct the Project in accordance with the plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers.

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or other security interest as is provided for in the Local Statute.



2.4 The Governmental Agency agrees that the Authority and its duly authorized agents shall have the right at all reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Governmental Agency further agrees that the Authority and its duly authorized agents shall, prior to, at and after completion of construction and commencement of operation of the Project, have such rights of access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority in respect of the System pursuant to the pertinent provisions of the Act.

2.5 The Governmental Agency shall keep complete and accurate records of the cost of acquiring the Project site and the costs of constructing, acquiring and installing the Project. The Governmental Agency shall permit the Authority, acting by and through its Director or his duly authorized representatives, to inspect all books, documents, papers and records relating to the Project at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority such documents and information as it may reasonably require in connection with the construction, acquisition and installation of the Project and the administration of the Loan or of any State and federal grants or other sources of financing for the Project.

2.6 The Governmental Agency agrees that it will permit the Authority and its agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof.

2.7 The Governmental Agency shall require that each construction contractor furnish a performance bond and a payment bond, each in an amount at least equal to one hundred percent (100%) of the contract price of the portion of the Project covered by the particular contract, as security for the faithful performance of such contract.

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the Governmental Agency or (at the option of the Governmental Agency) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor and all subcontractors, as

their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Governmental Agency on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds is outstanding. Prior to commencing operation of the Project, the Governmental Agency must also obtain, and maintain so long as any of the Local Bonds is outstanding, business interruption insurance if available at a reasonable cost.

2.9 The Governmental Agency shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

2.10 The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with any and all State and federal standards. The Governmental Agency agrees that qualified operating personnel properly certified by the State will be retained to operate the System during the entire term of this Loan Agreement.

2.11 The Governmental Agency hereby covenants and agrees to comply with all applicable laws, rules and regulations issued by the Authority or other State, federal or local bodies in regard to the construction of the Project and operation, maintenance and use of the System.

### ARTICLE III

#### Conditions to Loan; Issuance of Local Bonds

3.1 The agreement of the Authority to make the Loan is subject to the Governmental Agency's fulfillment, to the satisfaction of the Authority, of each and all of those certain conditions precedent on or before the delivery date for the Local Bonds, which shall be the date established pursuant to Section 3.4 hereof. Said conditions precedent are as follows:

(a) The Governmental Agency shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Loan Agreement;

(b) The Governmental Agency shall have authorized the issuance of and delivered to the Authority for purchase the Local Bonds described in this Article III and in Article IV hereof;

(c) The Governmental Agency shall have received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application, and the Authority shall have received a certificate of the Consulting Engineers to such effect;

(d) The Governmental Agency shall have obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, and the Authority shall have received a certificate of the Consulting Engineers to such effect;

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the issuance of the Local Bonds, construction of the Project and imposition of rates and charges and shall have taken any other action required for the imposition of such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project), and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(f) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsection 4.1(b)(ii) hereof, and the Authority shall have received a certificate of the accountants for the Governmental Agency, or such other person or firm experienced in the finances of governmental agencies and satisfactory to the Authority, to such effect; and

(g) The net proceeds of the Local Bonds, together with all moneys on deposit or to be simultaneously deposited (or, with respect to proceeds of grant anticipation notes or other indebtedness for which a binding purchase contract has been entered, to be deposited) and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, shall be sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and the Authority shall have received a certificate of the Consulting Engineers, or such other person or firm experienced in the

financing of water development projects and satisfactory to the Authority, to such effect, such certificate to be in form and substance satisfactory to the Authority, and evidence satisfactory to the Authority of such irrevocably committed grants.

3.2 Subject to the terms and provisions of this Loan Agreement, the rules and regulations promulgated by the Authority or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Loan to the Governmental Agency and the Governmental Agency shall accept the Loan from the Authority, and in furtherance thereof it is agreed that the Governmental Agency shall sell to the Authority and the Authority shall make the Loan by purchasing the Local Bonds in the principal amount and at the price set forth in Schedule X hereto. The Local Bonds shall have such further terms and provisions as described in Article IV hereof.

3.3 The Loan shall be secured and shall be repaid in the manner hereinafter provided in this Loan Agreement.

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Governmental Agency by written notice to the Authority, which written notice shall be given not less than five (5) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Bonds shall be delivered to the Authority on a date as close as possible to the designated date and mutually agreeable to the Authority and the Governmental Agency. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Loan Closing." Notwithstanding the foregoing, the Date of Loan Closing shall in no event occur more than ninety (90) days after the date of execution of this Loan Agreement by the Authority.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Authority for loans to finance water development projects and that the obligation of the Authority to make any such loan is subject to the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing and to the right of the Authority to make such loans to other governmental agencies as in the aggregate will permit the fullest and most timely utilization of such proceeds to enable the Authority to pay debt service on the water development revenue bonds issued by it. The Governmental Agency specifically recognizes that the Authority will not execute this Loan Agreement unless and until it has available funds sufficient to purchase all the Local Bonds and that, prior to such execution, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available.

## ARTICLE IV

### Local Bonds; Security for Loan; Repayment of Loan; Interest on Loan; Fees and Charges

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as enacted, contain provisions and covenants in substantially the form as follows:

(a) That the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as set forth on Schedule Y attached hereto and incorporated herein by reference. The gross revenues of the System shall always be used for purposes of the System.

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by the revenues from the System, as more fully set forth in Schedules X and Y attached hereto;

(ii) That the schedule of rates or charges for the services of the System shall be sufficient to provide funds which, along with other revenues of the System, will pay all Operating Expenses and leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any year for debt service on the Local Bonds and all other obligations secured by or payable from the revenues of the System prior to or on a parity with the Local Bonds or, if the reserve account established for the payment of debt service on the Local Bonds (the "Reserve Account") is funded (whether by Local Bond proceeds, monthly deposits or otherwise) at an amount at least equal to the maximum amount of principal and interest which will come due on the Local Bonds in any year (the "Reserve Requirement") and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Local Bonds and any such prior or parity obligations;

(iii) That the Governmental Agency will complete the Project and operate and maintain the System in good condition;

(iv) That the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be

realized shall be sufficient to pay fully all the Local Bonds outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

(v) That the Governmental Agency shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Local Bonds and parity bonds theretofore and then being issued and on any obligations secured by or payable from the revenues of the System prior to the Local Bonds; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

(vi) That the Governmental Agency will carry such insurance as is customarily carried with respect to works and properties similar to the System, including those specified by Section 2.8 hereof;

(vii) That the Governmental Agency will not render any free services of the System;

(viii) That any bond owner may, by proper legal action, compel the performance of the duties of the Governmental Agency under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal or interest on the Local Bonds, the right to obtain the appointment of a receiver to administer the System as provided by law;

(ix) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC, all delinquent rates and charges, if not paid when due, shall become a lien on the premises served by the System;

(x) That, to the extent legally allowable, the Governmental Agency will not grant any franchise to provide any services which would compete with the System;

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant and shall submit the report of said audit to the Authority, which shall include a statement that the Governmental Agency is in compliance with the terms and provisions of the Local Act and this Loan Agreement;

(xii) That the Governmental Agency shall annually adopt a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year;

(xiii) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC, prospective users of the System shall be required to connect thereto;

(xiv) That the proceeds of the Local Bonds, except for accrued interest and capitalized interest, if any, must be deposited in a construction fund, which, except as otherwise agreed to in writing by the Authority, shall be held separate and apart from all other funds of the Governmental Agency and on which the owner of the Local Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing for non-construction costs); provided that, if the cost of acquisition and construction of the Project includes funded reserves for the Local Bonds, any requisite proceeds shall be credited to the construction fund and then deposited in the Reserve Account, on which the owner of the Local Bonds shall have a lien as provided herein; and

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Governmental Agency shall not authorize redemption of any Local Bonds by it without the written consent of the Authority and otherwise in compliance with this Loan Agreement.

The Governmental Agency hereby represents and warrants that the Local Act has been or shall be duly adopted in compliance with all necessary corporate and other action and in accordance with applicable provisions of law. All legal matters incident to the authorization, issuance, sale and delivery of the Local Bonds shall be approved without qualification by recognized bond counsel acceptable to the Authority in substantially the form of legal opinion attached hereto as Exhibit A.

4.2 The Loan shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of the fees, charges and other revenues of the Governmental Agency from the System as further set forth by and subject only to such reservations and exceptions as are described in Schedules X and Y hereto or are otherwise expressly permitted in writing by the Authority.

4.3 The principal of the Loan shall be repaid by the Governmental Agency annually on the day and in the years provided in Schedule X hereto. Interest payments on the Loan

shall be made by the Governmental Agency on a semiannual basis as provided in said Schedule X.

4.4 The Loan shall bear interest from the date of the delivery to the Authority of the Local Bonds until the date of payment thereof, at the rate or rates per annum set forth on Schedule X hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.5 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series, as reflected by Schedule X hereto.

4.6 The Governmental Agency agrees to pay from time to time, as required by the Authority, the Governmental Agency's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be as determined by the Authority and shall include without limitation Program expenses, legal fees paid by the Authority and fees paid to the trustee and paying agents for the water development revenue bonds. The Governmental Agency hereby specifically authorizes the Authority to exercise the powers granted it by Section 9.06 of the General Resolution.

4.7 As long as the Authority is the owner of any of the Local Bonds outstanding, the Governmental Agency shall not redeem any of such Local Bonds outstanding without the written consent of the Authority, and any such redemption of Local Bonds authorized by the Authority shall provide for the payment of interest to the first allowable redemption date for the applicable water development revenue bonds, the redemption premium payable on the applicable water development revenue bonds redeemable as a consequence of such redemption of Local Bonds and the costs and expenses of the Authority in effecting any such redemption, all as further prescribed by Section 9.11 of the General Resolution. Nothing in this Loan Agreement shall be construed to prohibit the Authority from refunding applicable water development revenue bonds, and such refunding need not be based upon or result in any benefit to the Governmental Agency.

#### ARTICLE V

Certain Covenants of the Governmental Agency;  
Imposition and Collection of User Charges;  
Payments To Be Made by  
Governmental Agency to the Authority

5.1 The Governmental Agency hereby irrevocably cove-



nants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Governmental Agency hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System, as set forth in the Local Act and in compliance with the provisions of Subsection 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds shall prove to be insufficient to produce the minimum sums set forth in the Local Act, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges so as to provide funds sufficient to produce the minimum sums set forth in the Local Act and as required by this Loan Agreement.

5.3 In the event the Governmental Agency defaults in the payment of any fees due to the Authority pursuant to Section 4.6 hereof, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under Section 6a of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

## ARTICLE VI

### Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges with respect to water development projects in the event of default by governmental agencies in the terms and covenants of loan agreements, and the Governmental Agency hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Loan Agreement.

6.2 At the option of the Authority, the Governmental Agency shall issue and sell to the Authority additional, subordinate bonds to evidence the Governmental Agency's obligation to repay to the Authority any grant received by the Governmental Agency from the Authority in excess of the amount to which the Governmental Agency is entitled pursuant to applicable policies or rules and regulations of the Authority. Also at the option of the Authority, the Governmental Agency may issue and sell to the Authority additional, subordinate bonds for such purposes as may be acceptable to the Authority.

6.3 The Governmental Agency hereby warrants and represents that all information provided to the Authority in this Loan Agreement, in the Application or in any other application or documentation with respect to financing the Project was at the time, and now is, true, correct and complete, and such information does not omit any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Prior to the Authority's making the Loan and receiving the Local Bonds, the Authority shall have the right to cancel all or any of its obligations under this Loan Agreement if (a) any representation made to the Authority by the Governmental Agency in connection with the Loan shall be incorrect or incomplete in any material respect or (b) the Governmental Agency has violated any commitment made by it in its Application or in any supporting documentation or has violated any of the terms of this Loan Agreement.

6.4 The Governmental Agency hereby agrees to repay on or prior to the Date of Loan Closing any moneys due and owing by it to the Authority for the planning or design of the Project, and such repayment shall be a condition precedent to the Authority's making the Loan.

6.5 The Governmental Agency hereby covenants that it will rebate any amounts required by Section 148 of the Internal Revenue Code of 1986, as amended, and will take all steps necessary to make any such rebates. In the event the Governmental Agency fails to make any such rebates as required, then the Governmental Agency shall pay any and all penalties, obtain a waiver from the Internal Revenue Service and take any other actions necessary or desirable to preserve the tax-exempt status of the Local Bonds.

## ARTICLE VII

### Miscellaneous

7.1 Additional definitions, additional terms and provisions of the Loan and additional covenants and agreements of the Governmental Agency are set forth in Schedule 2 attached

hereto and incorporated herein by reference, with the same effect as if contained in the text of this Loan Agreement.

7.2 Schedule X shall be attached to this Loan Agreement at the time of execution hereof by the Authority and shall be approved by an official action of the Governmental Agency supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority.

7.3 If any provision of this Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Loan Agreement, and this Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

7.4 This Loan Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. Each party agrees that it will execute any and all documents or other instruments and take such other actions as may be necessary to give effect to the terms of this Loan Agreement.

7.5 No waiver by either party of any term or condition of this Loan Agreement shall be deemed or construed as a waiver of any other terms or conditions, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase or other provision of this Loan Agreement.

7.6 This Loan Agreement merges and supersedes all prior negotiations, representations and agreements between the parties hereto relating to the Loan and constitutes the entire agreement between the parties hereto in respect thereof.

7.7 By execution and delivery of this Loan Agreement, notwithstanding the date hereof, the Governmental Agency specifically recognizes that it is hereby agreeing to sell its Local Bonds to the Authority and that such obligation may be specifically enforced or subject to a similar equitable remedy by the Authority.

7.8 This Loan Agreement shall terminate upon the earlier of:

(i) the end of ninety (90) days after the date of execution hereof by the Authority if the Governmental Agency has failed to deliver the Local Bonds to the Authority;

(ii) termination by the Authority pursuant to Section 6.3 hereof; or

(iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Governmental Agency to the Authority.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be executed by their respective duly authorized officers as of the date executed below by the Authority.

RED SULPHUR PUBLIC SERVICE DISTRICT  
[Proper Name of Governmental  
Agency]

(SEAL)

By Basil S. Meadows  
Its Chairman

Attest:

Date: Aug 3 - 1987

James H. Hibel  
Its Secretary

WEST VIRGINIA WATER  
DEVELOPMENT AUTHORITY

(SEAL)

By Edgar H. Henry  
Director

Attest:

Date: Aug 21, 1987

David B. York  
Secretary-Treasurer

EXHIBIT A

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

West Virginia Water Development Authority  
1201 Dunbar Avenue  
Dunbar, West Virginia 25064

Gentlemen:

We are bond counsel to \_\_\_\_\_  
(the "Governmental Agency"), a \_\_\_\_\_  
\_\_\_\_\_.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement dated \_\_\_\_\_, 19\_\_\_\_, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated \_\_\_\_\_, 19\_\_\_\_ (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are in the principal amount of \$\_\_\_\_\_, issued in the form of one bond registered as to principal and interest to the Authority, with interest payable April 1 and October 1 of each year, beginning \_\_\_\_\_ 1, 19\_\_\_\_, at the respective rate or rates and with principal payable in installments on October 1 in each of the years, all as follows:

<u>Year</u>	<u>Installment</u>	<u>Interest Rate</u>
-------------	--------------------	----------------------

The Local Bonds are issued for the purpose of \_\_\_\_\_ and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of \_\_\_\_\_ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the

bond \_\_\_\_\_ duly enacted by the Governmental Agency on \_\_\_\_\_ (the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement that has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

Based upon the foregoing and upon our examination of such other documents as we have deemed necessary, we are of the opinion as follows:

1. The Loan Agreement has been duly authorized by and executed on behalf of the Governmental Agency and is a valid and binding special obligation of the Governmental Agency enforceable in accordance with the terms thereof.

2. The Loan Agreement inures to the benefit of the Authority and cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the Governmental Agency without the consent of the Authority.

3. The Governmental Agency is a duly organized and presently existing \_\_\_\_\_, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.

4. The Governmental Agency has legally and effectively enacted the Local Act and all other necessary \_\_\_\_\_ in connection with the issuance and sale of the Local Bonds. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Local Bonds are valid and legally enforceable special obligations of the Governmental Agency, payable from the [net] revenues of the System referred to in the Local Act and secured by a [first] lien on and pledge of the [net] revenues of said System, all in accordance with the terms of the Local Bonds and the Local Act, and have been duly issued and delivered to the Authority.

6. The Local Bonds are, by statute, exempt \_\_\_\_\_, and under existing statutes and court decisions of the United States of America, as presently written and applied, the interest on the Local Bonds is exempt from federal income taxation.

No opinion is given herein as to the effect upon enforceability of the Local Bonds of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

We have examined executed and authenticated Local Bond numbered R-1, and in our opinion the form of said bond and its execution and authentication are regular and proper.

Very truly yours,

WDA-5X  
(October 1986)

SCHEDULE X  
DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds \$ 738,647

Purchase Price of Local Bonds \$ 738,647

Interest on the Local Bonds is payable on April 1 and October 1 in each year, beginning with the first semi-annual interest payment date after delivery of the Local Bonds to the Authority, until the Local Bonds are paid in full, at the rate of 8.38 % per annum. Principal of the Local Bonds is payable on October 1 in each year as set forth on Exhibit 1 attached hereto and incorporated herein by reference.

As of the date of the Loan Agreement, the Local Bonds are on a parity as to source of and security for payment with the following obligations:

As of the date of the Loan Agreement, the Local Bonds are subordinate as to source of and security for payment to the following obligations:

*Combined Waterworks and Sewerage System  
Revenue Refunding Bonds dated July 1, 1973,  
issued in the original principal amount of  
\$540,000.*



RED SANDHUR PSD  
ANALYSIS OF 7.00% BORROWING COST FOR LOCAL ISSUER  
----- 1986 SERIES A BONDS -----

PERIOD ENDING 10/1	COUPON	PRIN.	INTEREST	DEBT SERVICE
1988	8.38		54,161.29	54,161.29
1989	8.38	3,052	61,898.62	64,950.62
1990	8.38	3,307	61,642.86	64,949.86
1991	8.38	3,585	61,365.74	64,950.74
1992	8.38	3,885	61,065.31	64,950.31
1993	8.38	4,210	60,739.75	64,949.75
1994	8.38	4,563	60,386.95	64,949.95
1995	8.38	4,946	60,004.57	64,950.57
1996	8.38	5,360	59,590.10	64,950.10
1997	8.38	5,809	59,140.93	64,949.93
1998	8.38	6,296	58,654.13	64,950.13
1999	8.38	6,823	58,126.53	64,949.53
2000	8.38	7,395	57,554.76	64,949.76
2001	8.38	8,015	56,935.06	64,950.06
2002	8.38	8,686	56,263.40	64,949.40
2003	8.38	9,415	55,535.52	64,950.52
2004	8.38	10,203	54,746.54	64,949.54
2005	8.38	11,058	53,891.53	64,949.53
2006	8.38	11,985	52,964.87	64,949.87
2007	8.38	12,990	51,960.53	64,950.53
2008	8.38	14,078	50,871.96	64,949.96
2009	8.38	15,258	49,692.23	64,950.23
2010	8.38	16,537	48,413.61	64,950.61
2011	8.38	17,922	47,027.81	64,949.81
2012	8.38	19,424	45,525.94	64,949.94
2013	8.38	21,052	43,898.21	64,950.21
2014	8.38	22,816	42,134.05	64,950.05
2015	8.38	24,728	40,222.07	64,950.07
2016	8.38	26,800	38,149.87	64,949.87
2017	8.38	29,046	35,904.03	64,950.03
2018	8.38	31,480	33,469.97	64,949.97
2019	8.38	34,118	30,831.95	64,949.95
2020	8.38	36,977	27,972.86	64,949.86
2021	8.38	40,076	24,874.19	64,950.19
2022	8.38	43,434	21,515.82	64,949.82
2023	8.38	47,074	17,876.05	64,950.05
2024	8.38	51,019	13,931.25	64,950.25
2025	8.38	55,294	9,655.86	64,949.86
2026	8.38	59,931	5,022.22	64,953.22

739,647 1,783,618.94 2,522,265.94

SCHEDULE Y  
REVENUES

In accordance with Subsection 4.1(a) of the Loan Agreement, the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as follows:

- (i) to pay Operating Expenses of the System;
- (ii) to the extent not otherwise limited by an outstanding local resolution, indenture or other act or document, as reflected on Schedule X to the Loan Agreement, and beginning seven (7) months prior to the first date of payment of interest on the Local Bonds from revenues and thirteen (13) months prior to the first date of payment of principal of the Local Bonds, respectively, to provide debt service on the Local Bonds by depositing in a sinking fund one-sixth (1/6) of the interest payment next coming due on the Local Bonds and one-twelfth (1/12) of the principal payment next coming due on the Local Bonds and, if the Reserve Account was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof in an amount equal to the Reserve Requirement, by depositing in the Reserve Account an amount equal to one-twelfth (1/12) of one-tenth (1/10) of the amount necessary to fund the Reserve Account at the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;
- (iii) to create a renewal and replacement, or similar, fund in an amount equal to two and one-half percent (2-1/2%) of the gross revenues from the System, exclusive of any payments into the Reserve Account, for the purpose of improving or making emergency repairs or replacements to the System or eliminating any deficiencies in the Reserve Account;
- (iv) to provide debt service on and requisite reserves for any subordinate indebtedness of the Governmental Agency held or owned by the Authority; and
- (v) for other legal purposes of the System, including payment of debt service on other obligations junior, subordinate and inferior to the Local Bonds.

SCHEDULE Z

Additional and Supplemental Definitions

1. "EPA" means the United States Environmental Protection Agency and any successors to the functions thereof.
2. "Local Statute" means Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended.
3. "System" means the public service properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, owned by the Governmental Agency, and any improvements or extensions thereto hereafter constructed or acquired from any sources whatsoever and includes the Project.

Additional Conditions and Covenants

1. The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with, among other State and federal standards, the water quality standards established by the West Virginia Department of Natural Resources and EPA.
2. The Governmental Agency agrees that it will permit the EPA to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof.
3. As a condition precedent to the Authority's making the Loan, the Governmental Agency shall have obtained, among other permits required, permits from the EPA and the West Virginia Department of Natural Resources and approval of the "Part B" supplement to its EPA grant agreement.
4. The Local Act shall contain a covenant substantially as follows:

That the Governmental Agency will, to the full extent permitted by applicable law and the rules and regulations of the PSC, discontinue and shut off the services and facilities of the System and, in the

event the Governmental Agency owns a water facility (the "Water System"), the Water System to all users of services of the System delinquent in payment of charges for the services of the System and will not restore the services of either system until all delinquent charges for the services of the System have been fully paid.

5. To the extent required by law, the Governmental Agency hereby covenants and agrees to secure approval of the Authority and all other State agencies having jurisdiction before applying for federal financial assistance for pollution abatement in order to maximize the amounts of such federal financial assistance received or to be received for all water development projects in the State.

6. Subject to any prior or parity obligations described in Schedules X and Y attached to the Loan Agreement, the net revenues derived from the operation of the System are pledged to the payment of the principal of and interest on the Local Bonds.

7. The paying agent for the Local Bonds shall be the West Virginia Municipal Bond Commission or any successor to the functions thereof.

8. The Governmental Agency shall comply with the provisions of the Internal Revenue Code of 1986, as amended. As a condition precedent to the Authority's making the Loan, the Governmental Agency shall deliver to the Authority a certificate representing the following:

- (a) The Governmental Agency expects to enter into a contract within six months of the date thereof for the construction of the Project, and the amount to be expended pursuant to such contract exceeds the lesser of 2-1/2 percent of the estimated total Project cost financed with proceeds from the sale of the Local Bonds or \$100,000;
- (b) Work with respect to the construction of the Project will proceed with due diligence to completion. Construction is expected to be completed within three years of May 22, 1986;

- (c) All of the proceeds from the sale of the Local Bonds which will be used for payment of costs of the Project, together with any investment earnings thereon, will be expended for such purpose by May 1, 1989;
- (d) The Governmental Agency does not expect to sell or otherwise dispose of the Project, in whole or in part, prior to the last maturity date of the Local Bonds; and
- (e) The Governmental Agency will comply with the provisions of the Internal Revenue Code of 1986, as amended, for which the effective date precedes the date of delivery of its Local Bond to the Authority.



SUPPLEMENTAL LOAN AGREEMENT

THIS SUPPLEMENTAL LOAN AGREEMENT, Made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), and the governmental agency designated below (the "Governmental Agency").

RED SULPHUR PUBLIC SERVICE DISTRICT

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 20, Article 5C, of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered to make loans to governmental agencies for the acquisition or construction of water development projects by such governmental agencies and to issue water development revenue bonds of the State of West Virginia (the "State") to finance, in whole or in part, by loans to governmental agencies, one or more water development projects, all subject to such provisions and limitations as are contained in the Act;

WHEREAS, the Governmental Agency constitutes a governmental agency as defined by the Act;

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to construct, operate and improve a water development project, as defined by the Act, and to finance the cost of constructing or acquiring the same by borrowing money to be evidenced by revenue bonds, including supplemental, subordinate revenue bonds, issued by the Governmental Agency;

WHEREAS, the Governmental Agency intends to construct or is constructing such a water development project at the location and as more particularly described and set forth in the Application, as hereinafter defined (the "Project");

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference;

WHEREAS, on or prior to the date hereof, the Governmental Agency and the Authority entered a loan agreement with respect to the purchase by the Authority of certain Local Bonds of the Governmental Agency, all as more specifically described in Exhibit A attached hereto and incorporated herein by reference (the "Loan Agreement").

WHEREAS, having reviewed the Application and made all findings required by Section 5 of the Act, and having available sufficient funds therefor, the Authority is willing to lend the Governmental Agency the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of supplemental, subordinate revenue bonds of the Governmental Agency with certain available funds of the Authority (other than the proceeds of certain water development revenue bonds of the State issued by the Authority pursuant to and in accordance with the provisions of the Act and a general resolution adopted by the Authority on May 22, 1985, as supplemented), subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Authority's supplemental water development loan program (the "Supplemental Program") as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Governmental Agency and the Authority hereby agree as follows:

## ARTICLE I

### Definitions; Loan Agreement

1.1 Capitalized terms used and not otherwise defined herein shall have the meanings respectively given them by the Loan Agreement.

1.2 Except where the context clearly indicates otherwise, the terms "Authority," "water development revenue bond," "cost," "governmental agency," "water development project," "wastewater facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

1.3 "Local Act" means the official action of the Governmental Agency required by Section 4.1 hereof, authorizing the Supplemental Bonds.

1.4 "Supplemental Bonds" means the revenue bonds to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, to evidence the Supplemental Loan, as hereinafter defined, and to be purchased by the Authority with certain available funds (other than the proceeds of its water development revenue bonds), the lien of which on the revenues



of the System is junior, subordinate and inferior to that of the Local Bonds, all in accordance with the provisions of this Supplemental Loan Agreement.

1.5 "Supplemental Loan" means the loan to be made by the Authority to the Governmental Agency through the purchase of Supplemental Bonds pursuant to this Supplemental Loan Agreement.

1.6 Additional terms and phrases are defined in this Supplemental Loan Agreement as they are used.

1.7 This Supplemental Loan Agreement is supplemental to the Loan Agreement, the terms of which are incorporated herein by reference.

## ARTICLE II

### The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be constructed in accordance with plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers, the Authority having found, to the extent applicable, that the Project is consistent with the applicable comprehensive plan of water management approved by the Director of the West Virginia Department of Natural Resources (or in the process of preparation by such Director), has been approved by the West Virginia Department of Health and is consistent with the standards set by the West Virginia Water Resources Board for the waters of the State affected thereby.

2.2 Subject to the terms, conditions and provisions of this Supplemental Loan Agreement and of the Local Act, the Governmental Agency has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do all things necessary to construct the Project in accordance with the plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers.

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or other security interest as is provided for in the Local Statute.

2.4 The Governmental Agency agrees that the Authority and its duly authorized agents shall have the right at all reasonable times to enter upon the Project site and Project

facilities and to examine and inspect the same. The Governmental Agency further agrees that the Authority and its duly authorized agents shall, prior to, at and after completion of construction and commencement of operation of the Project, have such rights of access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority in respect of the System pursuant to the pertinent provisions of the Act.

2.5 The Governmental Agency shall keep complete and accurate records of the cost of acquiring the Project site and the costs of constructing, acquiring and installing the Project. The Governmental Agency shall permit the Authority, acting by and through its Director or his duly authorized representatives, to inspect all books, documents, papers and records relating to the Project at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority such documents and information as it may reasonably require in connection with the construction, acquisition and installation of the Project and the administration of the Supplemental Loan or of any State and federal grants or other sources of financing for the Project.

2.6 The Governmental Agency agrees that it will permit the Authority and its agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof.

2.7 The Governmental Agency shall require that each construction contractor furnish a performance bond and a payment bond, each in an amount at least equal to one hundred percent (100%) of the contract price of the portion of the Project covered by the particular contract, as security for the faithful performance of such contract.

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the Governmental Agency or (at the option of the Governmental Agency) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor and all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or

mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Governmental Agency on or before the Date of Loan Closing and maintained so long as any of the Supplemental Bonds is outstanding. Prior to commencing operation of the Project, the Governmental Agency must also obtain, and maintain so long as any of the Supplemental Bonds is outstanding, business interruption insurance if available at a reasonable cost.

2.9 The Governmental Agency shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

2.10 The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with any and all State and federal standards. The Governmental Agency agrees that qualified operating personnel properly certified by the State will be retained to operate the System during the entire term of this Supplemental Loan Agreement.

2.11 The Governmental Agency hereby covenants and agrees to comply with all applicable laws, rules and regulations issued by the Authority or other State, federal or local bodies in regard to the construction of the Project and operation, maintenance and use of the System.

### ARTICLE III

#### Conditions to Supplemental Loan; Issuance of Supplemental Bonds

3.1 The agreement of the Authority to make the Supplemental Loan is subject to the Governmental Agency's fulfillment, to the satisfaction of the Authority, of each and all of those certain conditions precedent on or before the delivery date for the Supplemental Bonds, which shall be the date established pursuant to Section 3.4 of the Loan Agreement for delivery of the Local Bonds. Said conditions precedent are as follows:

(a) The Governmental Agency shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Supplemental Loan Agreement;

(b) The Governmental Agency shall have authorized the issuance of and delivered to the Authority for purchase the Supplemental Bonds described in this Article III and in Article IV hereof and shall have delivered to the Authority for purchase the Local Bonds in accordance with the Loan Agreement;

(c) The Governmental Agency shall have received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application, and the Authority shall have received a certificate of the Consulting Engineers to such effect;

(d) The Governmental Agency shall have obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, and the Authority shall have received a certificate of the Consulting Engineers to such effect;

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the issuance of the Supplemental Bonds, construction of the Project and imposition of rates and charges and shall have taken any other action required for the imposition of such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project), and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(f) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsection 4.1(b)(ii) hereof, and the Authority shall have received a certificate of the accountants for the Governmental Agency, or such other person or firm experienced in the finances of governmental agencies and satisfactory to the Authority, to such effect; and

(g) The net proceeds of the Supplemental Bonds, together with the net proceeds of the Local Bonds and all other moneys on deposit or to be simultaneously deposited (or, with respect to proceeds of grant anticipation notes or other indebtedness for which a binding purchase contract has been entered, to be deposited) and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, shall be sufficient to pay the costs of construction and acquisition of

the Project as set forth in the Application, and the Authority shall have received a certificate of the Consulting Engineers, or such other person or firm experienced in the financing of water development projects and satisfactory to the Authority, to such effect, such certificate to be in form and substance satisfactory to the Authority, and evidence satisfactory to the Authority of such irrevocably committed grants.

3.2 Subject to the terms and provisions of this Supplemental Loan Agreement, the rules and regulations promulgated by the Authority or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Supplemental Loan to the Governmental Agency and the Governmental Agency shall accept the Supplemental Loan from the Authority, and in furtherance thereof it is agreed that the Governmental Agency shall sell to the Authority and the Authority shall make the Supplemental Loan by purchasing the Supplemental Bonds in the principal amount and at the price set forth in Schedule X hereto. The Supplemental Bonds shall have such further terms and provisions as described in Article IV hereof.

3.3 The Supplemental Loan shall be secured and shall be repaid in the manner hereinafter provided in this Supplemental Loan Agreement.

3.4 The Supplemental Loan will be made only in conjunction with the Loan. The Supplemental Bond shall be delivered to the Authority, at the offices of the Authority, simultaneously with the delivery of the Local Bond to the Authority.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Authority for loans to finance water development projects and that the obligation of the Authority to make any such loan is subject to the Governmental Agency's fulfilling all of the terms and conditions of this Supplemental Loan Agreement and the Loan Agreement on or prior to the Date of Loan Closing and to the right of the Authority to make such loans to other governmental agencies under the conditions and in the manner described in the Loan Agreement. The Governmental Agency further understands and acknowledges that the Authority's obligation to make the Supplemental Loan is subject to the availability on the Date of Loan Closing of funds legally available therefor.

3.6 Anything in this Loan Agreement notwithstanding, if the Authority is unable to pay the proceeds of the Supplemental Bonds to the Governmental Agency on the Date of Loan Closing due to the time required for processing the purchase order or requisition for such moneys with the State,

the Authority may pay such proceeds as soon as received after the Date of Loan Closing; provided, that the Supplemental Bonds shall not evidence any debt to be repaid to the Authority until the proceeds thereof are received by the Governmental Agency.

#### ARTICLE IV

Supplemental Bonds; Security for Supplemental Loan;  
Repayment of Supplemental Loan; No Interest on  
Supplemental Loan; Fees and Charges

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Supplemental Loan, authorize the issuance of and issue the Supplemental Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as enacted, contain provisions and covenants in substantially the form as follows:

(a) That the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as set forth on Schedule Y attached hereto and incorporated herein by reference. The gross revenues of the System shall always be used for purposes of the System.

(b) Covenants substantially as follows:

(i) That the Supplemental Bonds shall be secured by the revenues from the System, as more fully set forth in Schedules X and Y attached hereto, subject to the prior and senior security therefrom granted to the Local Bonds;

(ii) That the schedule of rates or charges for the services of the System shall be sufficient to provide funds which, along with other revenues of the System, will pay all Operating Expenses and leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any year for debt service on the Local Bonds and the Supplemental Bonds and all other obligations secured by or payable from the revenues of the System prior to or on a parity with the Local Bonds and on a parity with the Supplemental Bonds or, if the reserve accounts established for the payment of debt service on the Local Bonds (the "Reserve Account") and for the payment of debt service on the Supplemental Bonds (the "Supplemental Reserve Account") are funded (whether by bond proceeds, monthly deposits or otherwise), respectively, at an amount at least equal to the maximum amount of principal and interest which will come due on the Local Bonds in any year (the "Reserve Requirement") or on the Supplemental Bonds in any year (the "Supplemental Reserve Requirement"), as the case may be, and any reserve account for any such prior or

parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Local Bonds and the Supplemental Bonds and any such prior or parity obligations;

(iii) That the Governmental Agency will complete the Project and operate and maintain the System in good condition;

(iv) That the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Local Bonds and Supplemental Bonds outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

(v) That the Governmental Agency shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Supplemental Bonds, except the Local Bonds and bonds on a parity with the Supplemental Bonds, which parity bonds shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Supplemental Bonds and parity bonds theretofore and then being issued and on the Local Bonds and any other obligations secured by or payable from the revenues of the System prior to the Supplemental Bonds; provided, however, that additional parity Local Bonds and additional parity Supplemental Bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

(vi) That the Governmental Agency will carry such insurance as is customarily carried with respect to works and properties similar to the System, including those specified by Section 2.8 hereof;

(vii) That the Governmental Agency will not render any free services of the System;

(viii) That any bond owner may, by proper legal action, compel the performance of the duties of the Governmental Agency under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal of or interest on the Supplemental Bonds, the right to obtain the

appointment of a receiver to administer the System as provided by law, subject to the prior and senior rights of the owner or owners of the Local Bonds;

(ix) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC, all delinquent rates and charges, if not paid when due, shall become a lien on the premises served by the System;

(x) That, to the extent legally allowable, the Governmental Agency will not grant any franchise to provide any services which would compete with the System;

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant and shall submit the report of said audit to the Authority, which shall include a statement that the Governmental Agency is in compliance with the terms and provisions of the Local Act and this Supplemental Loan Agreement;

(xii) That the Governmental Agency shall annually adopt a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year;

(xiii) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC, prospective users of the System shall be required to connect thereto;

(xiv) That the proceeds of the Supplemental Bonds, except any proceeds deposited in the Reserve Account or the Supplemental Reserve Account, must be deposited in a construction fund on which the owner of the Supplemental Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing for non-construction costs); provided, that said construction fund may be the one established for the Local Bonds, which shall have a prior and senior lien thereon, but shall otherwise be kept separate and apart from all other funds of the Governmental Agency; and

(xv) That, as long as the Authority is the owner of any of the Supplemental Bonds, the Governmental Agency shall not authorize redemption of any Supplemental Bonds by it without the written consent of the Authority.

The Governmental Agency hereby represents and warrants that the Local Act has been or shall be duly adopted in



compliance with all necessary corporate and other action and in accordance with applicable provisions of law. All legal matters incident to the authorization, issuance, sale and delivery of the Supplemental Bonds shall be approved without qualification by recognized bond counsel acceptable to the Authority in substantially the form of legal opinion attached hereto as Exhibit B.

4.2 The Supplemental Loan shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of the fees, charges and other revenues of the Governmental Agency from the System as further set forth by and subject only to the prior and senior security therefrom for the Local Bonds and to such reservations and exceptions as are described in Schedules X and Y hereto or are otherwise expressly permitted in writing by the Authority.

4.3 The principal of the Supplemental Loan shall be repaid by the Governmental Agency annually on the day and in the years provided in Schedule X hereto.

4.4 The Supplemental Loan shall not bear interest.

4.5 The Supplemental Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency.

4.6 The Governmental Agency agrees to pay from time to time, as required by the Authority, the Governmental Agency's allocable share of the reasonable administrative expenses of the Authority relating to the Supplemental Program, which administrative expenses shall be as determined by the Authority and shall include, but not be limited to, legal fees paid by the Authority.

#### ARTICLE V

Certain Covenants of the Governmental Agency;  
Imposition and Collection of User Charges;  
Payments To Be Made by  
Governmental Agency to the Authority

5.1 The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Supplemental Loan Agreement and the Local Act. The Governmental Agency hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Supplemental Loan, it has fixed

and collected, or will fix and collect, the rates, fees and other charges for the use of the System, as set forth in the Local Act and in compliance with the provisions of Subsection 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds and the Supplemental Bonds shall prove to be insufficient to produce the minimum sums set forth in the Local Act, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges so as to provide funds sufficient to produce the minimum sums set forth in the Local Act and as required by this Supplemental Loan Agreement.

5.3 In the event the Governmental Agency defaults in the payment of any fees due to the Authority pursuant to Section 4.6 hereof, the amount of such default shall bear interest at the rate of five percent (5%) per annum, from the date of the default until the date of the payment thereof.

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under Section 6a of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

## ARTICLE VI

### Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges with respect to water development projects in the event of default by governmental agencies in the terms and covenants of loan agreements, and the Governmental Agency hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Supplemental Loan Agreement.

6.2 The Governmental Agency hereby warrants and represents that all information provided to the Authority in this Supplemental Loan Agreement, in the Application or in any other application or documentation with respect to financing the Project was at the time provided, and now is, true, correct and complete, and such information does not omit any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Prior to the Authority's making the Supplemental Loan and receiving the Supplemental Bonds, the Authority shall have the right to cancel all or any of its obligations under this Supplemental Loan Agreement if (a) any representation made to the Authority by the Governmental Agency in connection with the Loan or the Supplemental Loan shall be incorrect or incomplete in any material respect or (b) the Governmental Agency has violated any commitment made by it in its Application or in any supporting documentation or has violated any of the terms of the Loan Agreement or this Supplemental Loan Agreement.

6.3 The Governmental Agency hereby agrees to repay on or prior to the Date of Loan Closing any moneys due and owing by it to the Authority for the planning or design of the Project, and such repayment shall be a condition precedent to the Authority's making the Supplemental Loan.

## ARTICLE VII

### Miscellaneous

7.1 Additional definitions, additional terms and provisions of the Supplemental Loan and additional covenants and agreements of the Governmental Agency are set forth in Schedule Z attached hereto and incorporated herein by reference, with the same effect as if contained in the text of this Supplemental Loan Agreement.

7.2 Schedule X shall be attached to this Supplemental Loan Agreement at the time of execution hereof by the Authority and shall be approved by an official action of the Governmental Agency supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority.

7.3 If any provision of this Supplemental Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Supplemental Loan Agreement, and this Supplemental Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

7.4 This Supplemental Loan Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. Each party agrees that it will execute any and all documents or other instruments and take such other actions as may be necessary to give effect to the terms of this Supplemental Loan Agreement.

7.5 No waiver by either party of any term or condition of this Supplemental Loan Agreement shall be deemed or construed as a waiver of any other terms or conditions, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase or other provision of this Supplemental Loan Agreement.

7.6 This Supplemental Loan Agreement merges and supersedes all prior negotiations, representations and agreements between the parties hereto relating to the Supplemental Loan and constitutes the entire agreement between the parties hereto in respect thereof.

7.7 By execution and delivery of this Supplemental Loan Agreement, notwithstanding the date hereof, the Governmental Agency specifically recognizes that it is hereby agreeing to sell its Supplemental Bonds to the Authority and that such obligation may be specifically enforced or subject to a similar equitable remedy by the Authority.

7.8 This Supplemental Loan Agreement shall terminate upon the earlier of:

(i) termination by the Authority of the Loan Agreement pursuant to Subsections 7.8(i) or (ii) thereof;

(ii) termination by the Authority pursuant to Section 6.2 hereof; or

(iii) payment in full of the principal of the Supplemental Loan and of any fees and charges owed by the Governmental Agency to the Authority.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Loan Agreement to be executed by their respective duly authorized officers as of the date executed below by the Authority.

RED SULPHUR PUBLIC SERVICE DISTRICT  
[Proper Name of Governmental Agency]

(SEAL)

By Basil Meadows  
Its Chairman

Attest:

Date: Aug 3 1987

Dennis Sebold  
Its Secretary

WEST VIRGINIA WATER DEVELOPMENT  
AUTHORITY

(SEAL)

By Edgar W. Hargis  
Director

Attest:

Date: Aug 21 1987

Daniel B. Gubash  
Secretary-Treasurer

EXHIBIT A

LOAN AGREEMENT

Date:

Principal Amount of Local Bonds:

EXHIBIT B

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

West Virginia Water Development Authority  
1201 Dunbar Avenue  
Dunbar, West Virginia 25064

Gentlemen:

We are bond counsel to \_\_\_\_\_  
(the "Governmental Agency"), a \_\_\_\_\_  
\_\_\_\_\_.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement, dated \_\_\_\_\_, 19\_\_\_\_, including all schedules and exhibits attached thereto (the "Supplemental Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority"), and (ii) the issue of a series of supplemental, subordinate revenue bonds of the Governmental Agency, dated \_\_\_\_\_, 19\_\_\_\_ (the "Supplemental Bonds"), to be purchased by the Authority in accordance with the provisions of the Supplemental Loan Agreement. The Supplemental Bonds are in the principal amount of \$\_\_\_\_\_, issued in the form of one bond registered as to principal to the Authority, without interest thereon, with principal payable in installments on October 1 in each of the years, as follows:

Year

Installment

The Supplemental Loan Agreement is supplemental to a loan agreement dated \_\_\_\_\_, \_\_\_\_\_, also between the Governmental Agency and the Authority (the "Loan Agreement"). The Supplemental Bonds are junior, subordinate and inferior as to lien and source of and security for payment to the bonds issued pursuant to the Loan Agreement (the "Local Bonds"), which Local Bonds are issued simultaneously herewith.

The Supplemental Bonds are issued, together with the Local Bonds, for the purpose of \_\_\_\_\_ and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of \_\_\_\_\_ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the bond \_\_\_\_\_ duly enacted by the Governmental Agency on \_\_\_\_\_ (the "Local Act"), pursuant to and under which Local Statute and Local Act the Supplemental Bonds are authorized and issued, and the Supplemental Loan Agreement that has been undertaken. The Supplemental Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Supplemental Loan Agreement.

Based upon the foregoing and upon our examination of such other documents as we have deemed necessary, we are of the opinion as follows:

1. The Supplemental Loan Agreement has been duly authorized by and executed on behalf of the Governmental Agency and is a valid and binding special obligation of the Governmental Agency enforceable in accordance with the terms thereof.

2. The Supplemental Loan Agreement inures to the benefit of the Authority and cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the Governmental Agency without the consent of the Authority.

3. The Governmental Agency is a duly organized and presently existing \_\_\_\_\_

\_\_\_\_\_, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Supplemental Loan Agreement and to issue and sell the Supplemental Bonds, all under the Local Statute and other applicable provisions of law.

4. The Governmental Agency has legally and effectively enacted the Local Act and all other necessary \_\_\_\_\_ in connection with the issuance and sale of the Supplemental Bonds. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Supplemental Loan Agreement.

5. The Supplemental Bonds are valid and legally enforceable special obligations of the Governmental Agency, payable from the [net] revenues of the System referred to in the Local Act and secured by a lien on and pledge of the [net] revenues of said System, all in accordance with the terms of the Supplemental Bonds and the Local Act, and have been duly issued and delivered to the Authority. Said lien and pledge are junior, subordinate and inferior to that created for the Local Bonds [and \_\_\_\_\_].

6. The Supplemental Bonds are, by statute, exempt \_\_\_\_\_.



No opinion is given herein as to the effect upon enforceability of the Supplemental Bonds of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

We have examined executed and authenticated Supplemental Bond numbered SR-1, and in our opinion the form of said bond and its execution and authentication are regular and proper.

Very truly yours,

WDA-Suppl. 5X  
(November 1985)

SCHEDULE X  
DESCRIPTION OF SUPPLEMENTAL BONDS

Principal Amount of Supplemental Bonds	\$ <u>181,173</u>
Purchase Price of Supplemental Bonds	\$ <u>181,173</u>

Principal of the Supplemental Bonds is payable on October 1 in each year as set forth on Exhibit 1 attached hereto and incorporated herein by reference.

As of the date of the Supplemental Loan Agreement, the Supplemental Bonds are subordinate as to source of and security for payment to the following obligations, other than the Local Bonds:

*Combined Wastewater and Sewerage System  
Revenue Refunding Bonds dated July 1, 1973,  
issued in the original amount of \$540,000*

ANNUAL'S OF 7.00% BORROWING COST FOR LEASER ISSUER

----- 1986 SERIES A BONDS -----

ZERO

COUPON

BONDS

-----

	.00
1988	.00
1989	4,767.73
1990	4,767.71
1991	4,767.71
1992	4,767.71
1993	4,767.71
1994	4,767.71
1995	4,767.71
1996	4,767.71
1997	4,767.71
1998	4,767.71
1999	4,767.71
2000	4,767.71
2001	4,767.71
2002	4,767.71
2003	4,767.71
2004	4,767.71
2005	4,767.71
2006	4,767.71
2007	4,767.71
2008	4,767.71
2009	4,767.71
2010	4,767.71
2011	4,767.71
2012	4,767.71
2013	4,767.71
2014	4,767.71
2015	4,767.71
2016	4,767.71
2017	4,767.71
2018	4,767.71
2019	4,767.71
2020	4,767.71
2021	4,767.71
2022	4,767.71
2023	4,767.71
2024	4,767.71
2025	4,767.71
2026	4,767.71

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181,173.00

SCHEDULE Y  
REVENUES

In accordance with Subsection 4.1(a) of the Supplemental Loan Agreement, the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as follows:

(i) as prescribed by the Loan Agreement, to pay Operating Expenses of the System;

(ii) as prescribed by the Loan Agreement, to the extent not otherwise limited by an outstanding local resolution, indenture or other act or document, as reflected on Schedule X to the Loan Agreement, and beginning seven (7) months prior to the first date of payment of interest on the Local Bonds from revenues and thirteen (13) months prior to the first date of payment of principal of the Local Bonds, respectively, to provide debt service on the Local Bonds by depositing in a sinking fund one-sixth ( $1/6$ ) of the interest payment next coming due on the Local Bonds and one-twelfth ( $1/12$ ) of the principal payment next coming due on the Local Bonds and, if the Reserve Account was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof in an amount equal to the Reserve Requirement, by depositing in the Reserve Account an amount equal to one-twelfth ( $1/12$ ) of one-tenth ( $1/10$ ) of the amount necessary to fund the Reserve Account at the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

(iii) as prescribed by the Loan Agreement, to create a renewal and replacement, or similar, fund in an amount equal to two and one-half percent ( $2\frac{1}{2}\%$ ) of the gross revenues from the System, exclusive of any payments into the Reserve Account, for the purpose of improving or making emergency repairs or replacements to the System or eliminating any deficiencies in the Reserve Account;

(iv) beginning thirteen (13) months prior to the first date of payment of principal of the Supplemental Bonds, to provide debt service on the Supplemental Bonds by depositing in a sinking fund one-twelfth ( $1/12$ ) of the principal payment next coming due on the Supplemental Bonds and, if the Supplemental Reserve Account was not funded

concurrently with the issuance thereof in an amount equal to the Supplemental Reserve Requirement, by depositing in the Supplemental Reserve Account an amount equal to one-twelfth (1/12) of one-tenth (1/10) of the amount necessary to fund the Supplemental Reserve Account at the Supplemental Reserve Requirement or, if the Supplemental Reserve Account has been so funded (whether by Supplemental Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Supplemental Reserve Account at the Supplemental Reserve Requirement;

(v) to provide debt service on and requisite reserves for any other subordinate indebtedness of the Governmental Agency held or owned by the Authority; and

(vi) for other legal purposes of the System, including payment of debt service on other obligations junior, subordinate and inferior to the Local Bonds.

SCHEDULE Z

Additional and Supplemental Definitions

1. "EPA" means the United States Environmental Protection Agency and any successors to the functions thereof.
2. "Local Statute" means Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended.
3. "System" means the public service properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, owned by the Governmental Agency, and any improvements or extensions thereto hereafter constructed or acquired from any sources whatsoever and includes the Project.

Additional Conditions and Covenants

1. The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with, among other State and federal standards, the water quality standards established by the West Virginia Department of Natural Resources and EPA.
2. The Governmental Agency agrees that it will permit the EPA to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof.
3. As a condition precedent to the Authority's making the Supplemental Loan, the Governmental Agency shall have obtained, among other permits required, permits from the EPA and the West Virginia Department of Natural Resources and approval of the "Part B" supplement to its EPA grant agreement.
4. The Local Act shall contain a covenant substantially as follows:  
  
That the Governmental Agency will, to the full extent permitted by applicable law and the rules and regulations of the PSC, discontinue and shut off the services and facilities of the System and, in the event the Governmental Agency owns a water facility (the "Water System"), the

Water System to all users of services of the System delinquent in payment of charges for the services of the System and will not restore the services of either system until all delinquent charges for the services of the System have been fully paid.

5. To the extent required by law, the Governmental Agency hereby covenants and agrees to secure approval of the Authority and all other State agencies having jurisdiction before applying for federal financial assistance for pollution abatement in order to maximize the amounts of such federal financial assistance received or to be received for all water development projects in the State.

6. Subject to any prior or parity obligations described in Schedules X and Y attached to the Supplemental Loan Agreement, and to the prior lien of the Local Bonds, the net revenues derived from the operation of the System are pledged to the payment of the principal of the Supplemental Bonds.

7. The paying agent for the Supplemental Bonds shall be the West Virginia Municipal Bond Commission or any successor to the functions thereof.





Public Service Commission Of West Virginia



201 Brooks Street, P. O. Box 812  
Charleston, West Virginia 25323

November 9, 1987

James D. Kauffelt, Esq.  
Kauffelt & Kauffelt  
P. O. Box 3082  
Charleston, West Virginia 25331

Norris Kantor, Esq.  
Katz, Kantor & Perkins  
P. O. Box 727  
Bluefield, West Virginia 24701

Mary C. Wright, Esq.  
Public Service Commission  
P. O. Box 812  
Charleston, West Virginia 25323

Re: Case No. 86-616-S-CN

Ms. Wright and Gentlemen:

We are enclosing herewith two (2) copies of an order entered by the Commission today which grants the petition filed to waive the 15-day exception period to the recommended decision of October 30, 1987 in the above proceeding.

The recommended decision of October 30, 1987, will become the final order of the Commission at 5:00 p.m., November 14, 1987.

Sincerely,

A handwritten signature in dark ink, appearing to read "Howard M. Cunningham".  
Howard M. Cunningham  
Executive Secretary

HMC/s  
Ecnl.

PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA, in the City of Charleston on the 9th day of November, 1987.

CASE NO. 86-616-S-CN

RED SULPHUR PUBLIC SERVICE DISTRICT,  
a public utility, Peterstown,  
Monroe County.

Application for a certificate of convenience and necessity to construct gravity sewer line extensions, additions and modifications to the District's existing wastewater treatment plant at Peterstown and environs, Monroe County.

COMMISSION ORDER

On October 13, 1986, Red Sulphur Public Service District, a public utility, Peterstown, Monroe County, prefled, pursuant to the provision of Enrolled Committee Substitute for Senate Bill No. 191 and Section 16-13A-25 of the West Virginia Code, plans, specifications and an engineering report regarding a proposed project to construct gravity sewer line extensions and additions and modifications to the District's existing wastewater treatment plant at Peterstown and environs, Monroe County. On April 27, 1987, Red Sulphur Public Service District filed its formal application for a certificate of convenience and necessity for the project in question.

By order entered August 5, 1987, the Commission scheduled this matter for hearing to be held in Charleston, West Virginia, on August 26, 1987. Red Sulphur Public Service District was required to give notice of the filing of the application and of the time and place of hearing by publication.

The hearing began as scheduled on August 26, 1987. Red Sulphur Public Service District appeared by its proper officials and by counsel James D. Kauffelt, Esq. The Commission's Staff was represented by Mary C. Wright, Esq., and the Intervenor, Town of

Peterstown, was represented by Norris Kantor, Esq. Subsequent hearings were held on September 3, 1987 and September 14, 1987. At the conclusion of proceedings on September 14, 1987, the matter was submitted for a decision, pending receipt of the Joint Stipulation and Agreement for Settlement, which was received on September 25, 1987. On October 30, 1987, the Administrative Law Judge issued a recommended decision.

On November 6, 1987, James D. Kauffelt, Esq., counsel for Red Sulphur Public Service District, filed a petition to waive the right of parties to take exceptions to the aforesaid order and requesting the aforesaid recommended decision to be the final order of the Commission as soon as possible. Mr. Kauffelt indicates that Staff Attorney Mary C. Wright and counsel for the Town of Peterstown, Norris Kantor, have advised him that they do not intend to file exceptions, and approve and agree to the filing of the petition.

West Virginia Code Section 24-1-9 provides for a time period of at least twenty (20) days from the date of a recommended order until it becomes effective. According to Section 24-1-9(c), at least fifteen (15) days must be afforded the parties within which to file exceptions. In addition, Section 24-1-9(e) provides that when no exceptions are filed within the specified time period, the Commission shall have an additional five (5) days within which to stay or postpone the order.

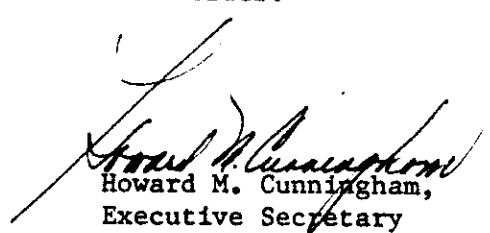
The Commission is therefore of the opinion and belief that said petition of waiver received by the Commission on November 6, 1987, should be granted.

IT IS, THEREFORE, ORDERED that the requested waiver be, and the same hereby is, granted.

IT IS FURTHER ORDERED that the Administrative Law Judge's Recommended Decision in this matter become final five (5) days after the date of this order.

A TRUE COPY

TESTE:

  
Howard M. Cunningham,  
Executive Secretary

LEGAL DIVISION

PUBLIC SERVICE COMMISSION OF WEST VIRGINIA



J. Steven Hunter,  
General Counsel

201 Brooks Street, P. O. Box 812  
Charleston, West Virginia 25323

(304) 340-0317

Writer's Direct Call: 340-

November 6, 1987

Vince A. Collins, Esquire  
Steptoe and Johnson  
P.O. Box 2190  
Clarksburg, WV 26302-2190

Re: Case No. 86-616-S-CN  
Red Sulphur PSD

Dear Vince:

I am advised that you would like a written representation from the Staff that they have no intent to appeal the October 30, 1987 Order entered by Administrative Law Judge Mark T. Aliff in the above-referenced case.

Staff Attorney Mary C. Wright advises me that she, on behalf of the Staff, has no intention of appealing the Order which adopts the stipulation entered into by the Staff, Red Sulphur Public Service District and the Intervenor, Town of Peterstown. In that stipulation all parties agreed not to appeal either to the Commission or to any other Courts any Commission decision adopting the stipulation.

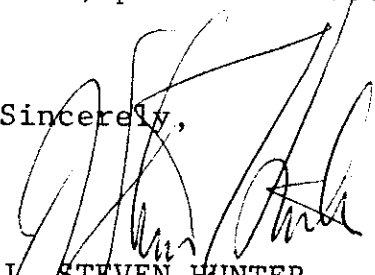
Ms. Wright further advises me that she has notified Jim Kauffelt of her agreement with his proposal to file a motion waiving the 15-day exception period.

RE: Vince Collins  
November 6, 1987  
Page 2

As you are aware, there were several protestants in the case. The only entity given Intervenor status was the Town of Peterstown which, by counsel, bound itself to the non-appeal provision of the stipulation. However, you may desire to independently verify this party's intent yourself.

If you have further questions, please contact Mary Wright or me.

Sincerely,



J. STEVEN HUNTER  
General Counsel

JSH/mh

**KATZ, KANTOR & PERKINS**

**ATTORNEYS AT LAW**

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LEROY KATZ \*  
NORRIS KANTOR  
GUY W. PERKINS  
BILLY E. BURKETT  
DEBRA A. ARCHER  
WAYNE L. EVANS  
WAYNE S. STONESTREET

\* W. VA. & D. C. BARS

November 12, 1987

Red Sulphur Public Service District  
c/o James D. Kauffelt, Esquire  
Kauffelt & Kauffelt  
803 Kanawha Valley Building  
Charleston, WV 25331

Re: Red Sulphur Public Service District  
Case No. 86-616-S-CN

Gentlemen:

This letter is to confirm our previous telephone conference with your attorney, James D. Kauffelt, wherein we advised that the protestant, Town of Peterstown, was not going to file exceptions to the matters set forth in the decision of the Administrative Law Judge entered on October 30, 1987.

Sincerely,

KATZ, KANTOR & PERKINS

Norris Kantor

NK/saw

cc: C. W. Francis, Mayor  
Vincent A. Collins, Esquire

PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

Entered: October 30, 1987

CASE NO. 86-616-S-CN

RED SULPHUR PUBLIC SERVICE DISTRICT,  
a public utility, Peterstown,  
Monroe County.

Application for a certificate of  
convenience and necessity to  
construct gravity sewer line  
extensions, additions and  
modifications to the District's  
existing wastewater treatment  
plant at Peterstown and environs,  
Monroe County.

ADMINISTRATIVE LAW JUDGE'S DECISION

PROCEDURE

On October 13, 1986, Red Sulphur Public Service District (Red Sulphur or District), a public utility, Peterstown, Monroe County, prefiled, pursuant to the provision of Enrolled Committee Substitute for Senate Bill No. 191 and §16-13A-25 of the West Virginia Code, plans, specifications and an engineering report regarding a proposed project to construct gravity sewer line extensions and additions and modifications to the District's existing wastewater treatment plant at Peterstown and environs, Monroe County.

On April 24, 1987, the District submitted a Certificate of Publication from the Monroe Watchman, a newspaper of general circulation published in the town of Peterstown, Monroe County, indicating that notice of the prefiling and intent to make formal application for a certificate of convenience and necessity was published in said newspaper on April 16 and 23, 1987. The Notice indicated that the District intended to file its

formal application on or after April 10, 1987. The notice submitted on April 24, 1987, contained all the information required by West Virginia Code §16-13A-25.

On April 27, 1987, the District filed its formal application for a certificate of convenience and necessity for the project in question.

The Administrative Law Judge (ALJ) notes that the prefiling in this proceeding was made on October 13, 1987, and publication of the prefiling occurred on April 16 and 23, 1987, with a certificate filing date set forth therein of April 10, 1987. The information submitted in the original filing of October 13, 1986, was sufficient to comply in all other respects with the preliminary filing requirements of West Virginia Code §16-13A-25. Thus, the 270-day formal certificate review period set forth in West Virginia Code §24-2-11 commenced on April 28, 1987, with the 270-day period set to expire on January 23, 1988, for the purposes of this case. However, it should be noted that, since the filing of the application in this proceeding, a firm policy has been established regarding prefilings and the commencement of the 270-day period which would necessitate a different calculation of the 270-day period herein.

On May 20, 1987, the Town of Peterstown (Town), a municipal corporation, filed a Petition to Intervene in this proceeding in opposition to the project in question.

On August 5, 1987, a Procedural Order was issued which granted the Petition to Intervene filed by the Town of Peterstown. That Procedural Order also set this proceeding for hearing to be held in the Commission's Hearing Room, Charleston, West Virginia, on Wednesday, August 26, 1987, at 9:30 a.m. The Procedural Order also required Red Sulphur to give notice of the filing of the application and of the time and place of hearing by



publishing a Notice of Hearing for two (2) successive weeks between the date of the Order and August 26.

The hearing began as scheduled on August 26, 1987. Appearing on behalf of Red Sulphur Public Service District was James D. Kauffelt, Esq. The Commission's Staff was represented by Mary C. Wright, Esq., and the Intervenor, Town of Peterstown, was represented by Norris Kantor, Esq. Proceedings in this matter could not be concluded on August 26, and the matter was continued to September 3, 1987. Hearing was held on that date, and again, the matter could not be concluded. A further hearing was held on September 14, 1987, at which hearing it was announced that the parties had reached a settlement of their differences and had agreed upon a resolution of this case. The parties stated that a written stipulation would be filed.

At the conclusion of proceedings on September 14, the matter was submitted for a decision, pending receipt of the Joint Stipulation and Agreement for Settlement, which was received on September 25, 1987. The transcript of the first day's hearing is contained in pages 1 through 282, inclusive; day two is contained in pages 283 through 485, inclusive; and day three in pages 486 through 511, inclusive.

#### DISCUSSION OF THE EVIDENCE

Red Sulphur Public Service District, the Commission's Staff and the Intervenor, Town of Peterstown, submitted a "Joint Stipulation and Agreement for Settlement" effectively resolving to those parties satisfaction all of the issues which were in dispute in this proceeding. The Agreement reached among the parties came on the third day of hearing, and after the testimony of a number of witnesses. While the ALJ will adopt and endorse the Joint Stipulation and Agreement for Settlement, it is appropriate to

briefly review the evidence presented prior to the settlement, so as to determine whether the settlement is reasonable and just, and whether, regardless of the Stipulation and Settlement, the evidence would justify the issuance of a certificate of convenience and necessity for the construction of the proposed project.

Red Sulphur Public Service District called a total of fifteen (15) witnesses, and presented eighteen (18) exhibits in support of its application. The District's witnesses included Board Members of the District, representatives of the Department of Natural Resources and the Department of Health, the District's engineers and accountant and local residents who would be served by the proposed project. The Staff presented three (3) witnesses, and two (2) public witnesses also testified. In light of the Stipulation and Settlement reached by the parties, the Town of Peterstown did not call any witnesses.

Red Sulphur's first witness was Dennis Sibold of Peterstown. Mr. Sibold is a member of the Board of Red Sulphur PSD, and has been on the Board for twenty-one (21) years. (Tr., pp. 9-11). Mr. Sibold provided a brief history of the District and testified that it currently serves 660 sewer customers, of whom 450 to 475 live within the town of Peterstown. The District also serves 857 water customers. (Tr., pp. 11-12).

Mr. Sibold testified that he had observed a number of problems with the operation of the District's sewer plant. He stated that the drying beds were inadequate, the flow meter has been inoperative since 1979, and that the comminutor has been nonfunctional for four years. (Tr., p. 12). Mr. Sibold testified that this proposed project had first gotten started in 1976, when Red Sulphur filed an application with EPA for a Step 1 Grant. The Grant application was approved, and the District hired an

engineering firm to do a feasibility study. The study recommended that the sewer treatment plant be upgraded and that collection lines be extended to add additional customers. (Tr., pp. 12-14). The proposed project will add 171 customers. They are generally located in three separate areas, which are: 1) the McKenzie-Ellison Subdivision and Mountainview Subdivision; 2) the Mill Hill area; and, 3) the Route 219 area north of Peterstown. (Tr., pp. 14-15).

In 1979, the District applied for a Step 2 Grant, to fund design of the proposed project. The District received a set of plans from the engineers in 1980. This engineering firm is no longer doing business in West Virginia. Thereafter, Red Sulphur applied for and received an EPA Step 3 Construction Grant.

At this point, the District filed an application with this Commission for a certificate of convenience and necessity seeking authority to construct the proposed project, which was designated Case No. 82-214-S-CN. A Hearing Examiner's Decision was entered in that case on June 15, 1984, granting the application and finding that the public convenience and necessity did require the proposed project. The Hearing Examiner's Decision was reversed by a Commission Order of September 24, 1984, on the grounds that the then existing provision of law, as enacted in Senate Bill 95, prevented the project from being approved by the Commission. This was due to the number of signatures on petitions opposing the project, pursuant to the provisions of Senate Bill 95.

Thereafter, the project was dormant until Senate Bill 191 because law, which Bill repealed the 50% opposition petition provision of Senate Bill 95.

Mr. Sibold also testified that the District was under an Order from the Department of Natural Resources to upgrade its plant, which was, and is, in violation of applicable pollution control standards. (Tr., p. 18).

Mr. Sibold then testified concerning his observation of the sanitary conditions in the three areas proposed to be added to the District's existing system. Generally, he testified that he had seen gray water running over the top of the ground, leakage from septic tank field lines, and swampy conditions in the yards of some residents in the three subdivisions. (Tr., pp. 19-20).

Mr. Sibold further testified that the project proposed in this case is to be funded by a 75% Grant from EPA, a 5% Grant from the Appalachian Regional Commission, and that the remaining 20% will be borrowed from the Water Development Authority.

Mr. Sibold was cross-examined by Counsel for the Town of Peterstown, basically in regard to whether there were less costly alternatives available for bringing the treatment plant into compliance with DNR requirements, other than as proposed in this application. Counsel also examined Mr. Sibold as to several perceived administrative problems with the operation of the District. (Tr., pp. 27-58).

Red Sulphur's second witness was Joseph Marakovits, an engineer in the Permits Branch of the Division of Water Resources of the Department of Natural Resources. Mr. Marakovits is a civil engineer and has been with DNR for eight years. His duties include writing NPDES permits for sewage treatment plant discharge and ensuring compliance with those permits. (Tr., pp. 63-64). Mr. Marakovits testified about several documents which were marked as Applicant's Exhibits 1 and 2. Exhibit 1 was an administrative order issued with the District's NPDES permit, requiring the District

to bring itself into compliance with the permit. Mr. Marakovits testified that the District was presently not in compliance. (Tr., p. 66). He testified that the lack of compliance was due to treatment units which were not present in the plant at this time.

Mr. Marakovits testified that, if the District does not move forward with the project as proposed in this application, the Department of Natural Resources will file a lawsuit in Circuit Court against the District, to compel compliance with discharge requirements. He testified that such a lawsuit has not been yet filed, as the Department of Natural Resources believed the District had made a good faith effort to have the proposed project constructed. Also, the Federal Clean Water Act requires municipalities, such as Peterstown, to comply with these requirements by July 1, 1988. (Tr., pp. 68-70).

Mr. Marakovits basically testified that there were several items of equipment which were either absent from or not functioning in the treatment plant. The proposed project included replacing or adding all of those items.

Red Sulphur's third witness was Frederick Hypes, of the Construction Grants Branch of the Division of Water Resources of the Department of Natural Resources. Mr. Hypes was an engineering section leader in that branch and is responsible for administering the technical aspects of the EPA construction grants program. Mr. Hypes was responsible for reviewing the plans and specifications of the District's proposed project to insure its compliance with EPA regulations, to see that the proposed construction will be effective and meet state legal requirements. In addition, it is his responsibility to see that the proposed construction will work in a reasonably efficient manner. (Tr., pp. 95-98).

Mr. Hypes testified that he had visited the District's treatment plant to determine whether the proposed construction would solve the problems at the treatment plant. He testified that the treatment plant, as it exists, is not capable of meeting the waste load allocations contained in its permit on a continual basis. He further testified regarding his review of the plans, stating that they included approximately one dozen separate construction items, which he briefly explained. (Tr., pp. 99-100).

Mr. Hypes further testified that, due to extraordinary circumstances surrounding this particular project, it could not be modified. He testified that, due to the fact that the application for a Step 3 Grant had been pending since 1980, the project must be built as proposed in this application, or the District would lose its EPA Step 3 Construction Grant. The alteration or denial of the project would result in the District losing an EPA Grant of \$1,750,000, and would place the District in the position of having to upgrade its treatment plant without grant participation. Mr. Hypes recommended that the Commission approve the proposed project without change or alteration. (Tr., pp. 100-112).

On cross-examination by Counsel for the Commission Staff, Mr. Hypes testified that several alterations could be made by construction change order, including substituting ultraviolet disinfection for dechlorination. This step could be more cost effective if new chlorination/dechlorination equipment is necessary. He also testified that the proposed collection system extensions were necessary and proper. (Tr., pp. 114-115).

Mr. Hypes was then cross-examined at length by Counsel for the Intervenor. This inquiry basically concerned the necessity for, and effectiveness of, each individual item proposed to be added to the

treatment plant. The Intervenor's basic concerns seemed to be the substitution of ultraviolet treatment for dechlorination and the necessity of a storm water/overflow holding tank. Mr. Hypes' testimony was that both items were necessary, but that ultraviolet could be substituted for dechlorination if found to be more cost effective. (Tr., pp. 121-152).

Mr. Hypes testified that the only two items in the proposed construction which were not absolutely required to meet the permit requirements were the non-potable water system and improvements to the control building. (Tr., p. 142). In regard to the control building, the improvements were to expand the building to allow the District to perform its own laboratory work, which is presently performed by the Bluefield sewer plant.

The District's next witness was a resident of one of the areas proposed to be added to the sewer system, Thomas L. Johnson, of the Mountainview Addition. Mr. Johnson is the Postmaster at Union, West Virginia. He testified he bought his house in May, 1978, and had a standard septic system, with a 1,000 gallons tank and 300 feet of field drain lines. Mr. Johnson testified he has had water coming to the top of the ground in the area of his drain field, which ran over the top of the ground into the woods behind his house. He testified the water was greenish in color and had a distinctive odor of sewage. He further testified that the problem had become worse over the last several years. He also testified that he had observed his neighbors to have similar problems with their septic systems and had seen one neighbor dig up his drain field to try an improvement, without noticable change in its effectiveness. (Tr., pp. 152-162).

The next witness was L. K. "Bill" Johnson, who resides in McKenzie-Ellison Addition, in Monroe County. Mr. Johnson testified he had lived in that area for 35 years, and his home does use a private septic system. He testified he had had to have his septic tank pumped out several times. Periodically, his drain lines leak discolored water which rises to the surface of his lot and causes odor problems. He testified he believes this is due to the soil conditions in the area, which contain a layer of shale or clay soil that prevents the effluent from sinking deeper into the soil. (Tr., pp. 170-172).

Red Sulphur's sixth witness was Dee Thompson, District Engineer for the Beckley District of the West Virginia Department of Health. Ms. Thompson was responsible for inspection and supervision of water and sewer systems in seven counties, including Monroe County. Her predecessor in office was Richard Puckett. She testified regarding Applicant's Exhibits 3 and 4, Memos from her file regarding inspections of the Red Sulphur area made by Mr. Puckett in May and December, 1982. Ms. Thompson also personally inspected the area in February of 1986. (Tr., pp. 177-180). She testified that her inspection in 1986 revealed that conditions had not changed from those described in Mr. Puckett's memos of 1982. She personally observed a number of failing septic systems and gray sewer water and sewage on the ground. She testified that her observations indicated that the areas were in need of a public sewer system. (Tr., pp. 179-184, and 192).

The District's next witness was Forrest Adkins, currently District Milk Sanitarian in the Beckley District Office of the State Department of Health, but formerly Sanitarian for the Monroe County Health Department. Mr. Adkins had been Sanitarian in Monroe County for 20 years and



accompanied Mr. Puckett in his inspections of the proposed service areas in 1982. Mr. Adkins testified that the inspection took six or seven hours, although he would have performed a longer, more detailed inspection. He was accompanied by Mr. Puckett and Mr. Sibold during his inspection. Mr. Adkins testified that the memos prepared by Mr. Puckett fairly reflected their observations. (Tr., pp. 196-200).

At the conclusion of Mr. Adkins' testimony, the District called a number of public witnesses. All those witnesses testified regarding the problems with their septic systems, including malfunctioning drain fields resulting in discolored sewer water rising to the surface and flowing over the ground. (See, Testimony of Thelma Lawson, Tr., pp. 210-217; Laudee Mutter, Tr., pp. 217-231; James A. Harvey, Tr., pp. 232-249; Mason C. Lily, Tr., pp. 250-265; and Edward Ferguson, Tr., pp. 266-278). The testimony of all these witnesses indicated that the areas in which the District proposes to extend its collection lines suffer from a very high rate of septic system failure, due to soil conditions preventing drainage, and that this failure creates unsanitary and unhealthy conditions.

At the continuation of the hearing on September 3, 1987, the District called James Frazier, who is an engineer employed by G. A. Tice, Inc., the District's consulting engineering firm. Mr. Frazier testified regarding the plans and specifications for the proposed project, and as to the proposed costs and user rates. (See, Applicant's Exs. 6, 7, 8, 9, 10, 11 and 12). Mr. Frazier testified that he became involved in the latter stages of this project and reviewed and updated the plans and specifications that had been prepared in 1984. Among the changes he made was to order the replacement of the grit chamber and the comminutor, as those two

elements had ceased functioning since the original plans were prepared. (Tr., pp. 288-289).

Mr. Frazier then summarized the collection system to be built at a cost of \$1,168,130. The first extension, up State Route 12, will serve 71 new customers and consist of 12,000 feet of line. The second extension is the Mill Hill area, including 41 new customers, and will extend the existing system 8,000 feet. The third area, on U.S. Route 219, will serve 59 new customers and will consist of 36,000 feet of 8-inch sewer line and 163 manholes. (Tr., p. 290).

The treatment plant part of the proposed project will cost \$820,500 and consist of a storm water holding tank, a lift station modification, drying beds, a chlorination/dechlorination unit, post aeration unit, a grit chamber, comminutor, expanded lab building, new flow meter, sludge holding tank, emergency generator, some line rehabilitation work, and several pieces of equipment. Mr. Frazier then testified in detail as to the need for each of these separate items. (Tr., pp. 291-303).

Staff Counsel and Intervenor's Counsel then cross-examined Mr. Frazier. (Tr., pp. 317-365). The Intervenor's area of examination concerned the possibility of eliminating or reducing the cost of certain items contained in the treatment plant upgrade project. The Intervenor's area of concern were primarily the question of ultraviolet disinfection versus chlorination/dechlorination; the need for the expansion and equipping of the laboratory building; and the need for the storm water holding tank. In regard to the last item, Mr. Frazier testified that the storm holding tank is much more cost effective than other means of stopping infiltration and inflow to the system. This was due to the fact that extensive TV survey of existing lines would be required and leaking lines

or manholes would need to be replaced. All such work would be ineligible for any sort of presently available grant funding. (Tr., pp. 317-319).

Red Sulphur's next witness was George A. Tice, President of G. A. Tice, Inc., and Mr. Frazier's employer. Mr. Tice testified about the funding and financial effect of the project. It is to be financed by a 75% grant from EPA, a 5% grant from the Appalachian Regional Commission, and 20% to be finance by bond issue/loan from the State Water Development Authority. (Tr., p. 370). The terms of the loan from WDA will be at 7% interest for 38 years. Mr. Tice also testified that the loan must be closed by November 22, or the 7% interest rate will no longer be available. (Tr., pp. 371, 383 and 384).

Mr. Tice also testified that the District has been extended a line of credit in the amount of \$350,000 from the Beckley National Bank (App. Ex. No. 13) and in the amount of \$50,000 from the First National Bank of Peterstown. These lines of credit will be used for interim financing. (Tr., pp. 373, 374).

Mr. Tice emphasized that, if the bond sale with WDA is not finalized by November 19, 1987, the interest rate will increase, thus increasing the ultimate expense to the sewer users. In addition, the low bidders on the construction contracts may not be able to hold their bids open beyond mid-November. (Tr., p. 378). The project construction cost is also subject to an EPA procedure called Construction Cost Indexing, by which the amount of EPA funding will not keep pace with the inflationary increase in construction costs past June 30, 1987. This would make the local share larger and raise rates to the customers. (Tr., pp. 379-383; App. Ex. No. 15).

Mr. Tice was cross-examined by Counsel for Staff and Counsel for the Intervenor. (Tr., pp. 387-424). Again, the Intervenor's concerns were primarily with the question of ultraviolet disinfection, as opposed to chlorination/dechlorination, and with several other items of the treatment plant upgrade project.

Red Sulphur's final witness was Jeff Feamster, Certified Public Accountant. Mr. Feamster sponsored the District's Revised Rule 42 Exhibit. (App. Ex. No. 17). Mr. Feamster testified as to the method of preparation of that Exhibit and the rates he derived. These rates are designed to provide for the increased operation and maintenance expenses and to provide debt service for the WDA loan. (Tr., pp. 429-431). Mr. Feamster testified that, according to his figures, 53% of the customers would receive the minimum bill of \$13.56, and 61% would be at or below the average bill of \$15.07. Mr. Feamster's testimony concluded the Applicant's case.

The next witness at the hearing on September 3 was Henry Mullins, a Commission Staff Utilities Analyst in the PSD Division. Mr. Mullins sponsored an exhibit, Staff Exhibit 1. Mr. Mullins reviewed the proposed rates of Red Sulphur and compared them to rates of other sewer utilities. His review revealed that the proposed Red Sulphur rates were above the average, but well within a reasonable range.

The final witness on September 3 was Tad Jones, a public witness who appeared to protest the application. Mr. Jones believed that the expense of the new collection system, which would serve the area in which he lived, was unnecessary. He felt that the economy of the area was in such a state that residents could not afford the extra expense involved in this project. He also was unhappy with the manner in which the District was

run. There was some confusion as to whether the proposed project would serve Mr. Jones' house. (Tr., pp. 471-483).

The third and final day of hearing was September 14, 1987. At that hearing, it was announced that the Applicant, the Staff and the Intervenor had reached an agreement regarding the issues in this case and intended to file a written Stipulation and Settlement Agreement. (Tr., pp. 489-490). At that time, the Staff went forward and called two additional witnesses, Robert L. Skiles, Jr., an engineer with the PSD Division, and Danny L. Ellis, a Financial Analyst in the PSD Division. Mr. Skiles offered an exhibit, Staff Exhibit No. 2, regarding the necessity for the proposed project from an engineering viewpoint, and discussed the financial and rate effect of various elements of the project. Mr. Skiles recommended that the Commission approve the project as proposed.

Mr. Ellis also recommended that the project be approved as proposed and as agreed in the Stipulation and Settlement Agreement. Mr. Ellis testified that he derived the rates proposed in the Settlement Agreement. They contain a split tariff, with one rate for the customers on the new extension and a different rate for the existing customers. Tr., pp. 498-499). These rates reveal that the minimum bill for present customers will be \$12.28 per month and the minimum bill for the new extension customers will be \$15.50 per month. The average bill for present customers will be \$13.64 and, for new extension customers, \$17.20.

The rates for present customers will be \$3.07 per thousand (1,000) gallons for the first 4,000 gallons; \$2.71 per thousand (1,000) gallons for 3,000 gallons; \$2.33 per thousand (1,000) gallons for the next 20,000 gallons; \$1.80 per thousand gallons for the next 75,000 gallons; and \$1.45 per thousand gallons for all over 102,000 gallons.

The tariff rates for the new extension customers will be \$3.875 per thousand (1,000) gallons for the first 4,000 gallons; \$3.40 per thousand (1,000) gallons for the next 3,000 gallons; \$3.10 per thousand (1,000) gallons for the next 20,000 gallons; \$2.07 per thousand (1,000) gallons for the next 75,000 gallons; and \$1.60 per thousand (1,000) gallons for all over 102,000 gallons. (Tr., pp. 500-501).

Thereafter, the parties filed a Joint Stipulation and Agreement for Settlement. This Agreement, subscribed to by the Applicant, Commission Staff and the Intervenor, Town of Peterstown, begins by reciting the procedural history of the case. (Stipulation, Paragraphs 1-5).

The Stipulation goes on to provide that all parties agree that a certificate of convenience and necessity should be granted and that there is ample evidence in the record to support a finding that the project is in the public interest. The Stipulation contained an Attachment A, consisting of two pages setting forth the rates for the existing customers and the new extension customers, which it is agreed are fair and reasonable. These rates are to be effective at the conclusion of construction of the proposed project. (Stipulation, Paragraphs 6-7).

In Paragraph 8 of the Stipulation, the parties agree that the District engineers will undertake a feasibility and cost-effectiveness study of replacing the presently proposed chlorination/dechlorination disinfection system with an ultraviolet disinfection system. This change had been a major concern of the Intervenor. The Stipulation provides that, should the ultraviolet system be lower in cost, it will be substituted by change order during construction. The second area of the Intervenor's concern, the proposed laboratory expansion and equipment, is also considered in the Stipulation. Paragraph 9 provides that the engineers will

conduct a feasibility and cost-effectiveness study comparing the cost of the proposed laboratory equipment and expansion with the costs of continuing the present testing arrangement with the City of Bluefield. The Stipulation provides that, should the current arrangement prove to be less costly, it will be continued and the laboratory will be eliminated from the construction project by change order.

The Stipulation concludes with the standard provisions that it is nonseverable and subject to the acceptance and approval of the Administrative Law Judge and the Commission. Further, no party to it waives any position it might later adopt in subsequent proceedings.

The ALJ is of the opinion that the proposed Joint Stipulation and Agreement for Settlement involves a reasonable and just accommodation of the concerns of all parties and it will be adopted and approved. Likewise, the rate structure contained in the Joint Stipulation is just and reasonable and will be approved.

#### FINDINGS OF FACT

1. On October 12, 1986, Red Sulphur Public Service District prefiled, pursuant to West Virginia Code §16-13A-25, the plans, specifications and an engineering report regarding a proposed project to construct gravity sewer line extensions and additions and modifications to the District's existing waste water treatment plant at Peterstown and environs, Monroe County.

2. On April 22, 1987, the District filed its formal application for a certificate of convenience and necessity for the proposed project, as described above.

3. The District has complied with the publication requirements contained in West Virginia Code §§16-13A-25 and 24-2-11.

4. On May 20, 1987, the Town of Peterstown filed a Petition to Intervene in this proceeding which was granted by a Procedural Order entered August 5, 1987.

5. Hearings to take testimony and receive evidence in this matter were conducted on August 26, September 3, and September 14, 1987.

6. The District, Commission Staff and Town of Peterstown have submitted a "Joint Stipulation and Agreement for Settlement" which sets forth the basis of the settlement reached between the parties hereto. This Stipulation and Agreement also contains rates and charges which are agreed by the parties to be fair and reasonable and are intended to become effective at the conclusion of the construction of this project.

7. The Joint Stipulation and Agreement for Settlement provides that the engineering firm will reevaluate the disinfection system and need for laboratory building and equipment and, should the alternative means provided for in said Stipulation be more cost-effective, then they will be substituted for the originally proposed items.

8. The estimated project cost will total \$2,824,600 and includes both contracts for the collection system extensions and treatment facility improvements.

9. This project will be funded by an Environmental Protection Agency Grant of \$1,753,125; an Appalachian Regional Commission Grant of \$116,875; and bond proceeds from the Water Development Authority in the amount of \$919,820. The WDA bonds will bear an interest rate of 7% per annum and will be carried over a period of 38 years. Interim funding in the amount of \$350,000 has been committed by the Beckley National Bank and an additional amount of \$50,000 has been committed by the First National Bank of Peterstown.



10. The currently existing sewage treatment plant of Red Sulphur Public Service District, located in Peterstown, Monroe County, is not in compliance with applicable Federal and State law regarding discharge of pollutants into public waters. The District is under order from the West Virginia Department of Natural Resources to upgrade that treatment plant to bring it into compliance with effluent standards.

11. The three areas proposed to be served by extensions of the District's sewer lines are experiencing unsafe, unsanitary and unhealthy conditions, due to the failure of septic systems in the area, apparently caused by unfavorable soil conditions. It is undisputed that this failure results in sewer water running freely over the top of the ground and in roadside ditches.

12. The history of the EPA Grants program, and Red Sulphur PSD's involvement in it, are such that no major modification of the proposed construction project is possible without causing the District to lose its \$1.75 million EPA Grant.

13. The testimony of the public witnesses and the witnesses from the Health Department indicate an overwhelming need for the construction of the extension of the collection system.

14. The testimony of the District's engineer, and of the engineers from DNR, indicate that the proposed construction to upgrade the treatment plant is required by law.

#### CONCLUSIONS OF LAW

1. The public convenience and necessity require that the Public Service Commission grant the application of the Red Sulphur Public Service District seeking a certificate of convenience and necessity to construct gravity sewer line extensions and additions, as well as modifications to

the District's waste water treatment plant in Peterstown and environs, Monroe County.

2. The project as stipulated by the parties will provide adequate service to all sewer customers of the District and will allow the District to meet the discharge requirements of various State and Federal regulatory bodies.

3. The committed interim and permanent financing will provide adequate financing for the anticipated construction and related capital expenditures, and should be approved.

4. The project as stipulated to by the parties is an economically feasible project.

5. The rates and charges proposed in the Attachment to the Joint Stipulation and Settlement for Agreement are just and reasonable, in that they will provide revenue sufficient, but not more than sufficient, to fund the increased operations and maintenance expenses for the proposed project, and to fund the debt service incurred by the District as a part of this project.

#### ORDER

IT IS, THEREFORE, ORDERED that the Red Sulphur Public Service District, Peterstown, Monroe County, be, and it hereby is, granted a certificate of public convenience and necessity to construct an extension of its sewer lines and additions and modifications to its existing waste water treatment plant, as set forth in the application filed herein and in the District's plans and specifications filed as exhibits in this proceeding.

IT IS FURTHER ORDERED that the interim and permanent financing for this project, having been found to be adequate and reasonable, is hereby approved.

IT IS FURTHER ORDERED that the Red Sulphur Public Service District be authorized to place into effect at the completion of the construction of the proposed project the rates and charges contained in Appendix A to this order. The District shall file a proper tariff setting forth those rates and charges, and the effective date thereof, within twenty (20) days after the completion of construction.

IT IS FURTHER ORDERED that the Joint Stipulation and Agreement for Settlement (Attachment A) entered into by the Red Sulphur Public Service District, the Town of Peterstown and Commission Staff shall be incorporated herein, for all pertinent purposes.

IT IS FURTHER ORDERED that the Executive Secretary of the Commission serve a copy of this order upon all parties of record by United States Certified Mail, return receipt requested.

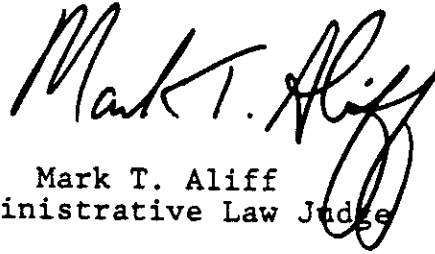
The Executive Secretary is hereby ordered to serve a copy of this order upon the Commission by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested.

Leave is hereby granted to the parties to file written exceptions supported by a brief with the Executive Secretary of the Commission within fifteen (15) days of the date this order is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served said exceptions.

If no exceptions are so filed this order shall become the order of the Commission, without further action or order, five (5) days following the expiration of the aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

Any party may request waiver of the right to file exceptions to a Administrative Law Judge's Order by filing an appropriate petition in

writing with the Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.

A handwritten signature in black ink, appearing to read "Mark T. Aliff". The signature is stylized with a large, looped "M" and a cursive "Aliff".

Mark T. Aliff  
Administrative Law Judge

MTA:cjf

RED SULPHUR PUBLIC SERVICE DISTRICT

CASE NO. 86-616-S-CN

Stipulated Tariff

Schedule 1

Applicability

Applicable in territory served except as defined in Schedule 2.

Availability

Available for domestic, commercial and industrial service.

Rates

First 4,000 gallons used per month	\$ 3.07 per thousand gallons
Next 3,000 gallons used per month	\$ 2.71 per thousand gallons
Next 20,000 gallons used per month	\$ 2.33 per thousand gallons
Next 75,000 gallons used per month	\$ 1.80 per thousand gallons
All over 102,000 gallons used per month	\$ 1.45 per thousand gallons

Minimum Charge

No bill will be rendered for less than \$12.28 per month.

Delayed Payment Penalty

The above tariff is net. On all accounts not paid in full within twenty (20) days of the date of bill, ten percent (10%) will be added to the net amount shown. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

Service Connection Fee

\$250.00

RED SULPHUR PUBLIC SERVICE DISTRICT

CASE NO. 86-616-S-CN

Stipulated Tariff

Schedule 2

Applicability

Applicable in the Route 12, Mill Hill Road, Route 219 North extension areas as approved in Case No. 86-616-S-CN.

Availability

Available for domestic, commercial, and industrial service.

Rates

First 4,000 gallons used per month	\$ 3.875 per thousand gallons
Next 3,000 gallons used per month	\$ 3.40 per thousand gallons
Next 20,000 gallons used per month	\$ 3.10 per thousand gallons
Next 75,000 gallons used per month	\$ 2.07 per thousand gallons
All over 102,000 gallons used per month	\$ 1.60 per thousand gallons

Minimum Charge

No bill will be rendered for less than \$15.50 per month.

Delayed Payment Penalty

The above tariff is net. On all accounts not paid in full within twenty (20) days of the date of bill, ten percent (10%) will be added to the net amount shown. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

Service Connection Fee

\$250.00

PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

RECEIVED  
1987 SEP 24 A 11: 28  
PUBLIC SERVICE COMMISSION  
OF W V EXECUTIVE  
SECRETARY'S OFFICE

CASE NO. 86-616-S-CN

RED SULPHUR PUBLIC SERVICE DISTRICT,  
a public utility, Peterstown,  
Monroe County.

Application for a certificate of  
convenience and necessity to construct  
gravity sewer line extensions and  
additions and modifications to the  
District's existing wastewater  
treatment plant at Peterstown and  
environs, Monroe County.

JOINT STIPULATION AND  
AGREEMENT FOR SETTLEMENT

Pursuant to West Virginia Code §24-1-9(f) and Rule 13(d)  
of the Rules of Practice and Procedure of the Public Service  
Commission of West Virginia ("Commission"), Red Sulphur Public  
Service District ("District"), the Staff of the Commission  
("Staff"), and the Intervenor, Town of Peterstown ("Town")  
join in this Joint Stipulation and Agreement for Settlement  
("Joint Stipulation") and, in support thereof, respectfully  
represent as follows:

1. On October 31, 1986, the District pre-filed plans,  
specifications and an engineering report pursuant to West  
Virginia Code §16-13A-25 as amended, relative to a proposed

wastewater project including upgrading of current treatment facilities located at Peterstown and extension of service to three designated areas located outside the corporate limits of Peterstown, Monroe County.

2. On April 28, 1987, the District filed its formal application for a certificate of convenience and necessity pursuant to West Virginia Code §§16-13A-25 and 24-2-11.

3. Customers from the Peterstown area notified the Commission of their opposition to the proposed project on November 22, 1986, May 6, 1987, May 7, 1987 and May 28, 1987. On May 20, 1987, Staff received the Town's petition to intervene in the case, pursuant to Rule 12(f) of the Commission's Rules of Practice and Procedure.

4. By order dated August 5, 1987, the case was set for hearing on Wednesday, August 26, 1987, at 9:30 a.m. Hearings were held on August 26, 1987 and September 3, 1987 and were scheduled to continue on September 14 and 15, 1987.

5. The parties consulted at pre-hearing conferences on September 3 and 14, 1987 for purposes of exploring possibilities for settlement pursuant to West Virginia Code §24-1-9(f) and 13(d) of the Commission's Rules of Practice and Procedure. As a result of these discussions and negotiations,



the District, Staff and the Town have agreed to enter into this Joint Stipulation.

6. The parties hereby agree and stipulate that a certificate of convenience and necessity should be granted to the District for the construction and operation of the project as proposed in the District's application of April 28, 1987 and engineering reports and data submitted therewith. The parties further state that there is ample evidence and testimony in the record to support a finding that the proposed project is in the public interest, and therefore a certificate should be granted.

7. The parties hereby agree and stipulate that the rate schedules set out in Attachment A, pages 1 and 2, represent a fair, reasonable and just set of rates for the existing customers of the District system and for the new customers who will be connected by the extensions. These rates will, if approved, be effective at the conclusion of construction on the proposed project.

8. The parties further agree that the District's engineers will undertake a feasibility study which will compare the costs of design, construction and maintenance of an ultraviolet disinfection system with those of the presently proposed chlorination/dechlorination system. Should the study

reveal that the costs of the ultraviolet system are lower than chlorination/dechlorination, all parties agree that the engineers will re-design this aspect of the project.

9. The parties further agree that the District's engineers will undertake a feasibility study which will compare the costs of the proposed laboratory equipment, personnel and continuing expenses of maintaining such laboratory for purposes of doing wastewater effluent testing with the costs of continuing the present testing arrangements with the City of Bluefield. Should the study reveal that the costs of the current testing arrangements are lower than those proposed, all parties agree that the engineers will eliminate, to the extent feasible, the proposed testing arrangements.

10. This Joint Stipulation is conditioned upon and subject to the acceptance and approval of the Administrative Law Judge and the Commission. It is expressly understood that this Joint Stipulation is proposed to settle all issues in this case and is made without any admission or prejudice to any positions which either the District or the Staff might adopt during subsequent proceedings involving the District before this Commission, including any further proceedings in this or related cases. The parties adopt this Joint Stipulation as being in the public interest and necessary in

this case to avoid the incursion of increased costs due to higher interest rates and subsequently higher user rates as a result of missing loan closing deadlines which appears to be imminent if the case continues. In adopting this stipulation, the parties do not adopt any of the compromise positions set forth herein as ratemaking or certificate case review principles applicable to other rate or certificate proceedings for the District in the future, or in this proceeding in the event this Joint Stipulation is not approved by the Administrative Law Judge and the Commission. It is expressly understood by the parties that this Joint Stipulation is conditional and nonseverable and shall have no force or effect unless adopted in its entirety by the Commission, either expressly or by operation of law pursuant to West Virginia Code §24-1-9(f). It is further expressly understood by all parties that each has relinquished its rights to appeal to the Commission or other Courts any decision adopting this Joint Stipulation, in the interests of preventing further delay.

WHEREFORE, Red Sulphur Public Service District, Staff and the Intervenor, Town of Peterstown, on the basis of all of the foregoing, respectfully request that the Honorable Mark T. Aliff, presiding Administrative Law Judge, make appropriate findings of fact and conclusions of law adopting and approving

the settlement embodied in this Joint Stipulation and grant the District permission to construct the proposed improvements and extensions to its system and to utilize the proposed rates set forth in Exhibit A to be effective upon completion of the project.

Dated this 24<sup>th</sup> day of September, 1987.

For the Staff of the PUBLIC  
SERVICE COMMISSION OF WEST  
VIRGINIA

For RED SULPHUR PUBLIC  
DISTRICT

Mary C. Wright  
Mary C. Wright

James D. Kauffelt  
James D. Kauffelt  
KAUFFELT & KAUFFELT  
803 Kanawha Valley Building  
Charleston, WV 25331

For the TOWN OF PETERSTOWN

Norris Kantor  
Norris Kantor  
KATZ, KANTOR & PERKINS  
Fifth Floor Law & Commerce Building  
P.O. Box 727  
Bluefield, WV 24701

RED SULPHUR PUBLIC SERVICE DISTRICT  
CASE NO. 86-616-S-CN

Stipulated Tariff

Schedule 1

Applicability

Applicable in territory served except as defined  
in Schedule 2.

Availability

Available for domestic, commercial, and industrial  
service.

Rates

First 4,000 gallons used per month	\$3.07 per thousand gallons
Next 3,000 gallons used per month	\$2.71 per thousand gallons
Next 20,000 gallons used per month	\$2.33 per thousand gallons
Next 75,000 gallons used per month	\$1.80 per thousand gallons
All over 102,000 gallons used per month	\$1.45 per thousand gallons

Minimum Charge

No bill will be rendered for less than \$12.28 per  
month.

Delayed Payment Penalty

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full within twenty (20) days of the date of bill, ten  
percent (10%) will be added to the net amount shown. This  
delayed payment penalty is not interest and is only to be  
collected once for each bill where it is appropriate.

Service Connection Fee

\$250.00

RED SULPHUR PUBLIC SERVICE DISTRICT  
CASE NO. 86-616-S-CN

Stipulated Tariff

Schedule 2

Applicability

Applicable in the Route 12, Mill Hill Road, Route 219  
North extension areas as approved in Case No. 86-616-S-CN.

Availability

Available for domestic, commercial, and industrial  
service.

Rates

First 4,000 gallons used per month	\$3.875 per thousand gallons
Next 3,000 gallons used per month	\$3.40 per thousand gallons
Next 20,000 gallons used per month	\$3.10 per thousand gallons
Next 75,000 gallons used per month	\$2.07 per thousand gallons
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Minimum Charge

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Delayed Payment Penalty

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full within twenty (20) days of the date of bill, ten  
percent (10%) will be added to the net amount shown. This  
delayed payment penalty is not interest and is only to be  
collected once for each bill where it is appropriate.

Service Connection Fee

\$250.00

CERTIFICATE

I, MARY C. WRIGHT, Staff Counsel for the Public Service Commission of West Virginia, do hereby certify that copies of the foregoing "Joint Stipulation And Agreement For Settlement" were served upon the following parties of record by First Class United States Mail this 24th day of September, 1987.

  
MARY C. WRIGHT

James D. Kauffelt, Esquire  
Kauffelt & Kauffelt  
803 Kanawha Valley Building  
Charleston, WV 25331

Norris Kantor  
Katz, Kantor & Perkins  
Fifth Floor Law & Commerce Bldg.  
P.O. Box 727  
Bluefield, WV 24701

PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

Entered: August 5, 1987

CASE NO. 86-616-S-CN

RED SULPHUR PUBLIC SERVICE DISTRICT,  
a public utility, Peterstown,  
Monroe County.

Application for a certificate of convenience  
and necessity to construct gravity sewer line  
extensions and additions and modifications to  
the District's existing wastewater treatment  
plant at Peterstown and environs, Monroe  
County.

PROCEDURAL ORDER

On July 1, 1986, Enrolled Committee Substitute for Senate Bill No. 191 became effective, which Bill made certain revisions in the Public Service District Laws of the State of West Virginia. One of the primary revisions was the establishment of a prefiling period for applications for certificates of convenience and necessity, requiring that a district prefile its plans and specifications and supporting information for a proposed certificate project with the Public Service Commission sixty (60) days prior to the filing of the actual formal application for such certificate.

On October 13, 1986, Red Sulphur Public Service District (hereinafter Red Sulphur), a public utility, Peterstown, Monroe County, prefiled, pursuant to the above provisions of Section 16-13A-25, West Virginia Code, plans, specifications and engineering report on the above project to construct gravity sewerline extensions and additions and modifications to the District's existing wastewater treatment plant at Peterstown and environs, Monroe County.



On April 24, 1987, Red Sulphur submitted a Publishers Certificate from The Monroe Watchman, a newspaper of general circulation published in the Town of Peterstown, Monroe County, indicating that notice of the prefiling and intent to make formal application for a certificate of convenience and necessity, pursuant to West Virginia Code Section 16-13A-25, was published in said newspaper on April 16 and 23, 1987. The notice indicated that Red Sulphur intended to file its formal application on or after April 10, 1987. The notice submitted on April 24, 1987, contained all of the information required by West Virginia Code Section 16-13A-25.

On April 27, 1987, Red Sulphur filed its formal application for a certificate of convenience and necessity for the project in question.

The Administrative Law Judge notes that the prefiling in this proceeding was made on October 13, 1986, and publication of the prefiling occurred on April 16 and 23, 1987, with a certificate filing date set forth therein of April 10, 1987. The information submitted in the original filing of October 13, 1986, was sufficient to comply in all other respects with the preliminary filing requirements of West Virginia Code Section 16-13A-25. Thus, the 270-day formal certificate review period set forth in West Virginia Code Section 24-2-11 commenced on April 28, 1987, with the 270-day period set to expire on January 23, 1988.

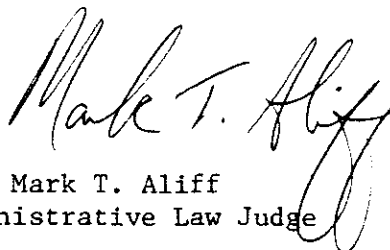
On May 20, 1987, the Town of Peterstown, a municipal corporation, filed a petition to intervene in this proceeding in opposition to the project in question. The Administrative Law Judge is of the opinion that the petition to intervene filed by the Town of Peterstown is proper and should be granted.

IT IS, THEREFORE, ORDERED that the statutory 270-day period for processing the application of Red Sulphur Public Service District in this proceeding commenced on April 28, 1987, with an expiration date of January 23, 1988.

IT IS FURTHER ORDERED that the petition to intervene filed by the Town of Peterstown on May 20, 1987, be, and it hereby is, granted.

IT IS FURTHER ORDERED that this matter be set for hearing to be held in the Commission's Hearing Room, 201 Brooks Street, Charleston, West Virginia, on Wednesday, August 26, 1987, at 9:30 a.m., EDST., at which time and place the District shall appear and prosecute said application. Leave is hereby granted to anyone interested to file objection to said application at any time on or before said date or at said hearing.

IT IS FURTHER ORDERED that Red Sulphur Public Service District, a public utility, give notice of the filing of said application and of the time and place of hearing thereon by publishing a copy of the notice attached hereto in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Monroe County, once a week for two (2) successive weeks between the date hereof and August 26, 1987, making due return thereof to the Commission on or before the day of hearing.

  
Mark T. Aliff  
Administrative Law Judge

MTA:hmc

PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

CASE NO. 86-616-S-CN

RED SULPHUR PUBLIC SERVICE DISTRICT,  
a public utility, Peterstown,  
Monroe County.

Application for a certificate of convenience  
and necessity to construct gravity sewer line  
extensions and additions and modifications to the  
District's existing wastewater treatment plant  
at Peterstown and environs, Monroe County.

NOTICE OF HEARING

On April 28, 1987, Red Sulphur Public Service District, a public utility, Peterstown, Monroe County, filed an application, duly verified, for a certificate of convenience and necessity to construct gravity sewer line extensions and additions and modifications to the District's existing wastewater treatment plant at Peterstown and environs, Monroe County.

This matter is set for hearing before Administrative Law Judge Mark T. Aliff to be held in the Commission's Hearing Room, 201 Brooks Street, Charleston, West Virginia, on Wednesday, August 26, 1987, at 9:30 a.m., EDST., at which time and place the District shall appear and prosecute said application. Leave is hereby granted to anyone interested to file objection to said application at any time on or before said date or at said hearing.

PUBLIC SERVICE COMMISSION OF WEST VIRGINIA  
Howard M. Cunningham  
Executive Secretary



RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds,  
Series 1987 A and Series 1987 B

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

The undersigned, DANIEL B. YONKOSKY, Secretary-Treasurer of West Virginia Water Development Authority, for and on behalf of West Virginia Water Development Authority (the "Authority") and BASIL I. MEADOWS, Chairman of the public service board of the Red Sulphur Public Service District (the "Issuer"), hereby certify as follows:

1. On the 16th day of November, 1987, the Authority received the entire original issue of \$919,820 in aggregate principal amount of Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A and Series 1987 B (collectively, the "Bonds"), issued as a single, fully registered Bond of each Series, numbered AR-1 and BR-1, respectively, both dated November 16, 1987, the Series 1987 A Bond being in the principal amount of \$738,647 and the Series 1987 B Bond being in the principal amount of \$181,173.

2. At the time of such receipt of the Bonds upon original issuance, all of the Bonds had been executed by Basil I. Meadows, as Chairman of the public service board of the Issuer, by his manual signature, and by Dennis Sibold, as Secretary of the public service board of the Issuer, by his manual signature, and the official seal of the Issuer had been affixed upon the Bonds.

3. The Issuer has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Bonds, of the proceeds of the Series 1987 A Bonds in the aggregate amount of \$738,647 and the proceeds of the Series 1987 B Bonds in the aggregate amount of \$181,173 (100% of par value), there being no interest accrued on either series.

IN WITNESS WHEREOF, Daniel B. Yonkosky duly signed and delivered this receipt on behalf of WEST VIRGINIA WATER DEVELOPMENT AUTHORITY and RED SULPHUR PUBLIC SERVICE DISTRICT has caused this receipt to be executed and delivered by the Chairman of its public service board, as of this 16th day of November, 1987.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

By Daniel B. Yonkosky  
Secretary-Treasurer

RED SULPHUR PUBLIC SERVICE DISTRICT

By Baril J. Meadows  
Chairman, Public Service Board

11/11/87  
RSPSD1-C



RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds,  
Series 1987 A and Series 1987 B

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

One Valley Bank, National Association  
Charleston,  
West Virginia

Ladies and Gentlemen:

There are delivered to you herewith:

(1) Bond No. AR-1, constituting the entire original issue of Red Sulphur Public Service District Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A, in the principal amount of \$738,647 and Bond No. BR-1, constituting the entire original issue of the Red Sulphur Public Service District Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, in the principal amount of \$181,173 both dated November 16, 1987 (collectively, the "Bonds"), executed by the Chairman and Secretary of the public service board of Red Sulphur Public Service District (the "Issuer") and bearing the official seal of the Issuer, authorized to be issued under and pursuant to a Bond and Notes Resolution and Supplemental Resolution duly adopted by the Issuer (collectively, the "Local Act");

(2) A copy of the Local Act authorizing the above Bond issue, duly certified by the Secretary of the Issuer;

(3) Executed counterparts of the loan agreement and the supplemental loan agreement, both dated August 21, 1987, by and between the West Virginia Water Development Authority (the "Authority") and the Issuer (collectively, the "Loan Agreement");

(4) A signed opinion of nationally recognized bond counsel regarding the validity of the Loan Agreement and Bonds.

You are hereby requested and authorized to deliver the Bonds to the Authority upon payment to the account of the Issuer of the sum of \$919,820, representing the agreed aggregate purchase

8



price of the Bonds, there being no accrued interest thereon. Prior to such delivery of the Bonds, you will please cause the Bonds to be authenticated by an authorized officer, as Bond Registrar, in accordance with the forms of Certificate of Authentication and Registration thereon.

Dated this 16th day of November, 1987.

RED SULPHUR PUBLIC SERVICE DISTRICT

By Basil J. Meadows  
Chairman, Public Service Board

11/11/87  
RSPSD1-D



(SPECIMEN BOND)

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
RED SULPHUR PUBLIC SERVICE DISTRICT  
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND, SERIES 1987 A

No. AR-1

\$738,647

KNOW ALL MEN BY THESE PRESENTS: That RED SULPHUR PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Monroe County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of SEVEN HUNDRED THIRTY-EIGHT THOUSAND, SIX HUNDRED FORTY-SEVEN DOLLARS (\$738,647), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning April 1, 1988. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated August 21, 1987.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the sewerage facilities portion of the combined waterworks and sewerage system of the Issuer (the "Project"); (ii) to pay interest on the Bonds of this series (the "Bonds") during the construction of the Project and for approximately 6 months thereafter; and (iii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, duly adopted by the Issuer on November 12, 1987 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is issued contemporaneously with the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, of the Issuer (the "Series 1987 B Bonds"), issued in the aggregate principal amount of \$181,173, which Series 1987 B Bonds are junior and subordinate with respect to liens and sources of and security for payment to the Bonds.

This Bond is payable only from and secured by a pledge of the Net Revenues to be derived from the operation of the System (as such terms are defined in the Bond Legislation), moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1987 A Bonds Reserve Account"), and unexpended proceeds of the Bonds and the Series 1987 B Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1987 A Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any year of principal of and interest

on the Bonds, the Series 1987 B Bonds, and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds or the Series 1987 B Bonds, provided however, that so long as there exists in the Series 1987 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in any year, and in the respective reserve accounts established for the Series 1987 B Bonds and any other obligations outstanding prior to or on a parity with the Bonds or the Series 1987 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements set forth herein, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the owner of this Bond.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIEN AND SOURCES OF AND SECURITY FOR PAYMENT TO THE ISSUER'S OUTSTANDING COMBINED WATERWORKS AND SEWERAGE REVENUE REFUNDING BONDS, DATED JULY 1, 1973, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$540,000.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form

and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, RED SULPHUR PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated November 16, 1987.

[SEAL]

\_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1987 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above as of the date set forth below.

Date: \_\_\_\_\_

ONE VALLEY BANK, NATIONAL ASSOCIATION,  
as Registrar

By \_\_\_\_\_  
Its Authorized Officer

RED SULPHUR PSD  
ANALYSIS OF 7.00% BORROWING COST FOR LOCAL ISSUER  
----- 1986 SERIES A BONDS -----

PERIOD ENDING 10/1	COUPON	PRIN.	INTEREST	DEBT SERVICE
1988	8.38		54,161.29	54,161.29
1989	8.38	3,052	61,898.62	64,950.62
1990	8.38	3,307	61,642.86	64,949.86
1991	8.38	3,585	61,365.74	64,950.74
1992	8.38	3,885	61,065.31	64,950.31
1993	8.38	4,210	60,739.75	64,949.75
1994	8.38	4,563	60,386.95	64,949.95
1995	8.38	4,946	60,004.57	64,950.57
1996	8.38	5,360	59,590.10	64,950.10
1997	8.38	5,809	59,140.93	64,949.93
1998	8.38	6,296	58,654.13	64,950.13
1999	8.38	6,823	58,126.53	64,949.53
2000	8.38	7,395	57,554.76	64,949.76
2001	8.38	8,015	56,935.06	64,950.06
2002	8.38	8,686	56,263.40	64,949.40
2003	8.38	9,415	55,535.52	64,950.52
2004	8.38	10,203	54,746.54	64,949.54
2005	8.38	11,058	53,891.53	64,949.53
2006	8.38	11,985	52,964.87	64,949.87
2007	8.38	12,990	51,960.53	64,950.53
2008	8.38	14,078	50,871.96	64,949.96
2009	8.38	15,258	49,692.23	64,950.23
2010	8.38	16,537	48,413.61	64,950.61
2011	8.38	17,922	47,027.81	64,949.81
2012	8.38	19,424	45,525.94	64,949.94
2013	8.38	21,052	43,898.21	64,950.21
2014	8.38	22,816	42,134.05	64,950.05
2015	8.38	24,728	40,222.07	64,950.07
2016	8.38	26,800	38,149.87	64,949.87
2017	8.38	29,046	35,904.03	64,950.03
2018	8.38	31,480	33,469.97	64,949.97
2019	8.38	34,118	30,831.95	64,949.95
2020	8.38	36,977	27,972.86	64,949.86
2021	8.38	40,076	24,874.19	64,950.19
2022	8.38	43,434	21,515.82	64,949.82
2023	8.38	47,074	17,876.05	64,950.05
2024	8.38	51,019	13,931.25	64,950.25
2025	8.38	55,294	9,655.86	64,949.86
2026	8.38	59,931	5,022.22	64,953.22

23,711.98 - Apr 1  
30,949.31 - Oct 1

738,647 1,783,618.94 2,522,265.94



RED SULPHUR PSD  
ANALYSIS OF 7.00% BORROWING COST FOR LOCAL ISSUER  
----- 1986 SERIES A BONDS -----

PERIOD ENDING 10/1	COUPON	PRIN.	INTEREST	DEBT SERVICE
1988	8.38		54,161.29	54,161.29
1989	8.38	3,052	61,898.62	64,950.62
1990	8.38	3,307	61,642.86	64,949.86
1991	8.38	3,585	61,365.74	64,950.74
1992	8.38	3,885	61,065.31	64,950.31
1993	8.38	4,210	60,739.75	64,949.75
1994	8.38	4,563	60,386.95	64,949.95
1995	8.38	4,946	60,004.57	64,950.57
1996	8.38	5,360	59,590.10	64,950.10
1997	8.38	5,809	59,140.93	64,949.93
1998	8.38	6,296	58,654.13	64,950.13
1999	8.38	6,823	58,126.53	64,949.53
2000	8.38	7,395	57,554.76	64,949.76
2001	8.38	8,015	56,935.06	64,950.06
2002	8.38	8,686	56,263.40	64,949.40
2003	8.38	9,415	55,535.52	64,950.52
2004	8.38	10,203	54,746.54	64,949.54
2005	8.38	11,058	53,891.53	64,949.53
2006	8.38	11,985	52,964.87	64,949.87
2007	8.38	12,990	51,960.53	64,950.53
2008	8.38	14,078	50,871.96	64,949.96
2009	8.38	15,258	49,692.23	64,950.23
2010	8.38	16,537	48,413.61	64,950.61
2011	8.38	17,922	47,027.81	64,949.81
2012	8.38	19,424	45,525.94	64,949.94
2013	8.38	21,052	43,898.21	64,950.21
2014	8.38	22,816	42,134.05	64,950.05
2015	8.38	24,728	40,222.07	64,950.07
2016	8.38	26,800	38,149.87	64,949.87
2017	8.38	29,046	35,904.03	64,950.03
2018	8.38	31,480	33,469.97	64,949.97
2019	8.38	34,118	30,831.95	64,949.95
2020	8.38	36,977	27,972.86	64,949.86
2021	8.38	40,076	24,874.19	64,950.19
2022	8.38	43,434	21,515.82	64,949.82
2023	8.38	47,074	17,876.05	64,950.05
2024	8.38	51,019	13,931.25	64,950.25
2025	8.38	55,294	9,655.86	64,949.86
2026	8.38	59,931	5,022.22	64,953.22

738,647 1,783,618.94 2,522,265.94

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto

the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
In the presence of:

\_\_\_\_\_  
11/16/87  
RSPSD1-S



(SPECIMEN BOND)

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
RED SULPHUR PUBLIC SERVICE DISTRICT  
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND, SERIES 1987 B

No. BR-1

\$181,173

KNOW ALL MEN BY THESE PRESENTS: That RED SULPHUR PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Monroe County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of ONE HUNDRED EIGHTY-ONE THOUSAND, ONE HUNDRED SEVENTY-THREE DOLLARS (\$181,173), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Supplemental Loan Agreement between the Issuer and the Authority, dated August 21, 1987.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing sewerage facilities portion of the combined waterworks and sewerage system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, duly adopted by the Issuer on November 12, 1987 (collectively called the "Bond Legislation"),

and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is payable only from and secured by a pledge of the Net Revenues to be derived from the operation of the System (as such terms are defined in the Bond Legislation) after there has first been paid from said Net Revenues all payments then due and owing on account of the Series 1987 A Bonds herein described and to all moneys in the Reserve Account (the "Series 1987 B Reserve Account") created under the Bond Legislation for the Bonds of this Series (the "Bonds"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1987 B Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any year of principal of and interest, if any, on the Bonds, the Series 1987 A Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Series 1987 A Bonds or the Bonds, provided however, that so long as there exists in the Series 1987 B Bonds Reserve Account and the reserve account established for the Series 1987 A Bonds, respectively, amounts at least equal to the maximum amount of principal and interest which will become due on the Bonds and the Series 1987 A Bonds in any year, and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only

upon the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements as set forth herein, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1987 A Bonds.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE OUTSTANDING COMBINED WATERWORKS AND SEWERAGE REVENUE REFUNDING BONDS OF THE ISSUER, DATED JULY 1, 1973, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$540,000, AND THE SEWER REVENUE BONDS, SERIES 1987 A, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$738,647 OF THE ISSUER, ISSUED CONCURRENTLY HERewith AND DESCRIBED IN THE BOND LEGISLATION.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, RED SULPHUR PUBLIC SERVICE DISTRICT  
has caused this Bond to be signed by its Chairman and its corporate  
seal to be hereunto affixed hereon and attested by its Secretary,  
and has caused this Bond to be dated November 16, 1987.

[SEAL]

\_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1987 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above as of the date set forth below.

Date: \_\_\_\_\_

ONE VALLEY BANK, NATIONAL ASSOCIATION,  
as Registrar

By \_\_\_\_\_  
Its Authorized Officer



RED SULPHUR  
ANALYSIS OF 7.00% BORROWING COST FOR LOCAL ISSUER  
----- 1986 SERIES A BONDS -----

ZERO  
COUPON  
BONDS  
-----

	.00
1988	.00
1989	4,767.73
1990	4,767.71
1991	4,767.71
1992	4,767.71
1993	4,767.71
1994	4,767.71
1995	4,767.71
1996	4,767.71
1997	4,767.71
1998	4,767.71
1999	4,767.71
2000	4,767.71
2001	4,767.71
2002	4,767.71
2003	4,767.71
2004	4,767.71
2005	4,767.71
2006	4,767.71
2007	4,767.71
2008	4,767.71
2009	4,767.71
2010	4,767.71
2011	4,767.71
2012	4,767.71
2013	4,767.71
2014	4,767.71
2015	4,767.71
2016	4,767.71
2017	4,767.71
2018	4,767.71
2019	4,767.71
2020	4,767.71
2021	4,767.71
2022	4,767.71
2023	4,767.71
2024	4,767.71
2025	4,767.71
2026	4,767.71

-----  
181,173.00

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto

the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
In the presence of:

\_\_\_\_\_  
11/16/87  
RSPSD1-T



# STEPTOE & JOHNSON

ATTORNEYS AT LAW

SIXTH FLOOR

UNION NATIONAL CENTER EAST

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

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TELECOPIER (304) 624-8183

CHARLESTON OFFICE

715 CHARLESTON NATIONAL PLAZA

P. O. BOX 1588

CHARLESTON, W. VA. 25326

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CARL F. STUCKY, JR.  
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WAYNE A. SINCLAIR  
JAMES R. WATSON  
DANIEL R. SCHUDA  
SPRAGUE W. HAZARD  
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CHRISTOPHER P. BASTIEN  
STEVEN P. MCGOWAN  
MARTIN R. SMITH, JR.  
W. RANDOLPH FIFE

OF COUNSEL  
ROBERT W. LAWSON, JR.

WRITER'S DIRECT DIAL NUMBER

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LOUIS E. ENDERLE  
ROBERT J. SCHIAVONI

November 16, 1987

## Red Sulphur Public Service District

### Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A

West Virginia Water Development Authority  
1201 Dunbar Avenue  
Dunbar, West Virginia 25064

Gentlemen:

We have acted as bond counsel in connection with the issuance by Red Sulphur Public Service District (the "Issuer"), a public corporation and political subdivision organized and existing under the laws of the State of West Virginia, of \$738,647 Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A, dated the date hereof (the "Local Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement, dated August 21, 1987, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Issuer and the West Virginia Water Development Authority (the "Authority") and the Local Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are originally issued in the form of one bond, registered as to principal and interest to the Authority, with interest payable April 1 and October 1 of each year, commencing April 1, 1988, at the rate of 8.38% per

//

annum, and with principal installments payable on October 1 in each of the years 1989 through 2026, inclusive, all as set forth in "Schedule X," attached to the Loan Agreement and incorporated in and made a part of the Local Bonds.

The Local Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Local Statute"), for the purposes of (i) permanently financing a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing sewerage facilities portion of the combined waterworks and sewerage system of the Issuer (the "Project"); (ii) paying interest on the Local Bonds during the construction of the Project and for approximately 6 months thereafter; and (iii) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of the Local Statute, the bond resolution duly adopted by the Issuer on November 12, 1987, as supplemented by a supplemental resolution also adopted on November 12, 1987 (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement that has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

Based upon the foregoing, and upon our examination of such other documents as we have deemed necessary, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly organized and validly existing public corporation and political subdivision of the State of West Virginia, with full power and authority to construct and acquire the Project, to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.

2. The Loan Agreement has been duly authorized by and executed on behalf of the Issuer, is a valid and binding special obligation of the Issuer enforceable in accordance with the terms thereof, and inures to the benefit of the Authority and cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the Issuer without the consent of the Authority.

3. The Local Act and all other necessary resolutions have been duly and effectively adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable upon the Issuer. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

4. The Local Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the net revenues of the System referred to in the Local Act and secured by a lien on and pledge of the net revenues of said System, junior and subordinate, however, with respect to lien and sources of and security for payment with the Issuer's outstanding Combined Waterworks and Sewerage System Revenue Refunding Bonds, dated July 1, 1973, issued in the original aggregate principal amount of \$540,000 (the "1973 Bonds"), all in accordance with the terms of the Local Bonds and the Local Act.

5. The interest on the Local Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted net book income (adjusted current earnings for taxable years ending after December 31, 1989) for the purpose of computing the alternative minimum tax imposed on such corporations. The opinion set forth in clause (a) above is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Local Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Local Bonds to be so included in gross income retroactive to the date of issuance of the Local Bonds. The Issuer has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Local Bonds.

6. The Local Bonds are, under the Local Statute, exempt from all taxation by the State of West Virginia and the other taxing bodies of the State and the interest on the Local Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

7. The Final Order of the Public Service Commission of West Virginia entered October 30, 1987 (Case No. 86-616-S-CN) granting to the Issuer a Certificate of Convenience and Necessity, approving the Issuer's sewer rates and charges and approving the proposed financing is not subject to appeal to the Supreme Court of Appeals of West Virginia by any customer, protestant or any other person who has not been made a party to the original application. We have received written notification by the Public Service Commission Staff, the Issuer and the Town of Peterstown that they do not intend to appeal such order.

It is to be understood that the rights of the holders of the Local Bonds and the enforceability of the Local Bonds and the Local Act may be subject to bankruptcy, insolvency, reorganization, moratorium and other

West Virginia Water Development Authority  
Page 4

similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Local Bond numbered AR-1, and in our opinion the form of said bond and its execution and authentication are regular and proper.

Very truly yours,

  
STEPTOE & JOHNSON

11/11/87  
RSPSD1-E





# STEPTOE & JOHNSON

ATTORNEYS AT LAW

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November 16, 1987

## Red Sulphur Public Service District Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B

West Virginia Water Development Authority  
1201 Dunbar Avenue  
Dunbar, West Virginia 25064

Gentlemen:

We have acted as bond counsel in connection with the issuance by Red Sulphur Public Service District (the "Issuer"), a public corporation and political subdivision organized and existing under the laws of the State of West Virginia of \$181,173 Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated the date hereof (the "Supplemental Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a supplemental loan agreement, dated August 21, 1987, including all schedules and exhibits attached thereto (the "Supplemental Loan Agreement"), between the Issuer and the West Virginia Water Development Authority (the "Authority") and the Supplemental Bonds, which are to be purchased by the Authority in accordance with the provisions of the Supplemental Loan Agreement. The Supplemental Bonds are originally issued in the form of one bond, registered as to principal to the Authority, without interest thereon, with principal payable in installments on October 1

in each of the years 1989 through 2026, inclusive, all as set forth in "Schedule X," attached to the Supplemental Loan Agreement.

The Supplemental Loan Agreement is supplemental to a loan agreement also dated August 21, 1987, between the Issuer and the Authority (the "Loan Agreement"). The Supplemental Bonds are junior, subordinate and inferior as to lien and source of and security for payment to the bonds issued pursuant to the Loan Agreement and designated "Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A" (the "Local Bonds"), which Local Bonds are issued simultaneously herewith, and to the Issuer's outstanding Combined Waterworks and Sewerage System Revenue Refunding Bonds, dated July 1, 1973, issued in the original aggregate principal amount of \$540,000.

The Supplemental Bonds are issued, together with the Local Bonds, under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Local Statute"), for the purposes of (i) permanently financing a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing sewerage facilities portion of the combined waterworks and sewerage system of the Issuer (the "Project"); and (ii) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of the Local Statute, the bond resolution duly adopted by the Issuer on November 12, 1987, as supplemented by a supplemental resolution also adopted November 12, 1987 (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Supplemental Bonds are authorized and issued, and the Supplemental Loan Agreement that has been undertaken. The Supplemental Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Supplemental Loan Agreement.

Based upon the foregoing, and upon our examination of such other documents as we have deemed necessary, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly organized and validly existing public corporation and political subdivision of the State of West Virginia, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Supplemental Loan Agreement and to issue and sell the Supplemental Bonds, all under the Local Statute and other applicable provisions of law.

2. The Supplemental Loan Agreement has been duly authorized by and executed on behalf of the Issuer, is a valid and binding special obligation of the Issuer enforceable in accordance with the terms thereof, and inures to the benefit of the Authority and cannot be amended so as to affect adversely the

rights of the Authority or diminish the obligations of the Issuer without the consent of the Authority.

3. The Local Act and all other necessary resolutions have been duly and effectively adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable upon the Issuer. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Supplemental Loan Agreement.

4. The Supplemental Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the net revenues of the System referred to in the Local Act and secured by a lien on and pledge of the net revenues of said System, junior and subordinate only to the Local Bonds and the 1973 Bonds, all in accordance with the terms of the Supplemental Bonds and the Local Act.

5. The Issuer has reserved the right to issue additional bonds ranking on a parity with the Supplemental Bonds, as provided in the Local Act.

6. The Supplemental Bonds are, under the Local Statute, exempt from taxation by the State of West Virginia and the other taxing bodies of the State.

7. The Final Order of the Public Service Commission of West Virginia entered October 30, 1987 (Case No. 86-616-S-CN) granting to the Issuer a Certificate of Convenience and Necessity and approving the Issuer's sewer rates and charges and approving the proposed financing is not subject to appeal to the Supreme Court of Appeals of West Virginia by any customer, protestant or any other person who was not a party to the original application. We have received written notification by the Public Service Commission Staff, the Issuer and the Town of Peterstown that they do not intend to appeal such order.

It is to be understood that the rights of the holders of the Supplemental Bonds and the enforceability of the Supplemental Bonds and the Local Act may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

West Virginia Water Development Authority  
Page 4

We have examined the executed and authenticated Supplemental Bond numbered BR-1, and in our opinion the form of such bond and its execution and authentication are regular and proper.

Very truly yours,

  
STEPTOE & JOHNSON

11/11/87  
RSPSD1-F



# STEPTOE & JOHNSON

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MARTIN R. SMITH, JR.  
W. RANDOLPH FIFE

OF COUNSEL  
ROBERT W. LAWSON, JR.

WRITER'S DIRECT DIAL NUMBER

November 16, 1987

## Red Sulphur Public Service District

### Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A

West Virginia Water Development Authority  
1201 Dunbar Avenue  
Dunbar, West Virginia 25064

Gentlemen:

We have examined a transcript of proceedings relating to the issuance of \$738,647 aggregate principal amount of Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A (the "Local Bonds"), of Red Sulphur Public Service District (the "Issuer"), and a Certificate as to Arbitrage executed by the Chairman of the public service board of the Issuer on this date.

Based upon such Certificate as to Arbitrage, we are of the opinion that the facts, estimates and circumstances set forth in the Certificate as to Arbitrage are sufficient to satisfy the requirements of Section 148 of the Internal Revenue Code of 1986 (the "Code") to support the conclusion that the Local Bonds are not "arbitrage bonds" as therein defined. No matters have come to our attention which make unreasonable or incorrect such statements, expectations or representations.

Accordingly, it is our opinion that, under existing statutes, regulations, rulings and court decisions, the Local Bonds are not "arbitrage bonds" as so defined.

West Virginia Water Development Authority

Page 2

The opinion set forth above is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, relating to arbitrage that must be satisfied subsequent to the issuance of the Local Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Local Bonds to be so included in gross income retroactive to the date of issuance of the Local Bonds. The Issuer has covenanted to comply with all such requirements.

Very truly yours,

  
STEPTOE & JOHNSON

11/11/87  
RSPSD1-G





ROBERT A. IRONS  
ATTORNEY AT LAW  
POST OFFICE BOX 205  
UNION, WEST VIRGINIA 24983  
(304) 772-3593

November 16, 1987

Red Sulphur Public Service District  
Combined Waterworks and Sewerage System Revenue Bonds,  
Series 1987 A and Series 1987 B

West Virginia Water Development Authority  
1201 Dunbar Avenue  
Dunbar, West Virginia 25064

Steptoe & Johnson  
Post Office Box 2190  
Clarksburg, West Virginia 26301

Gentlemen:

We are counsel to Red Sulphur Public Service District, a public service district, in Monroe County, West Virginia (the "Issuer"). As such counsel, we have examined copies of the approving opinions of Steptoe & Johnson, as bond counsel, a loan agreement and supplemental loan agreement, both dated August 21, 1987, by and between the West Virginia Water Development Authority (the "Authority") and the Issuer (collectively, the "Loan Agreement"), the Local Act (as defined therein) and other documents relating to the above-captioned Bonds of the Issuer. Terms used in said opinions, Local Act and Loan Agreement and not otherwise defined herein have the same meanings herein.

We are of the opinion that:

1. The Loan Agreement has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the Authority, constitutes a valid and binding agreement of the Issuer in accordance with its terms.

2. The members and officers of the public service board of the Issuer have been duly and properly appointed and elected, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.

3. The Local Act has been duly adopted by the Issuer and is in full force and effect.

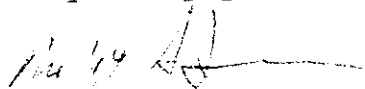
4. The execution and delivery of the Bonds and the Loan Agreement and the consummation of the transactions contemplated by the Loan Agreement, and the carrying out of the terms thereof, do not and will not in any material respect conflict with or constitute on the part of the Issuer a breach of or default under any agreement or other instrument to which the Issuer is a party or any existing law, regulation, court order or consent decree to which the Issuer is subject.

5. The Issuer has received all permits, licenses, approvals and authorizations necessary for the issuance of the Bonds, construction of the Project, operation of the System and imposition of rates and charges, including without limitation, the receipt of all requisite orders and approvals from the Public Service Commission of West Virginia, and has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges. The time for appeal of the order of the Public Service Commission of West Virginia approving the issuance of the Bonds has not expired prior to the date hereof. However, the Public Service Commission staff has stated in a letter dated November 6, 1987, and the Issuer has stated in its General Certificate dated the date hereof, that they do not intend to appeal such Order. There are not other intervenors or other parties of record in the case.

6. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Loan Agreement, construction of the Project, operation of the System or the validity of the Bonds or the collection or pledge of the Net Revenues therefor.

All counsel to this transaction may rely upon this opinion as if specifically addressed to them.

Very truly yours,



ROBERT A. IRONS

RAI:jwc



RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds,  
Series 1987 A and Series 1987 B

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND OFFICIAL NAME
7. LAND AND RIGHTS-OF-WAY
8. MEETINGS, ETC.
9. CONTRACTORS' INSURANCE, ETC.
10. GRANTS, ETC.
11. LOAN AGREEMENT
12. RATES
13. SIGNATURES AND DELIVERY
14. BOND PROCEEDS
15. PUBLICATION OF NOTICE OF BORROWING AND  
PSC FILING
16. PRIVATE USE OF FACILITIES
17. NO FEDERAL GUARANTY
18. IRS INFORMATION RETURN
19. SPECIMEN BONDS

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the public service board of Red Sulphur Public Service District in Monroe County, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Issuer, hereby certify in connection with the \$919,820 aggregate principal amount of Red Sulphur Public Service District Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A and Series 1987 B (collectively, the "Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined shall have the same meaning as in the Bond Resolution of the Issuer adopted November 12, 1987, and a Supplemental Resolution also adopted November 12, 1987 (collectively, the "Local Act").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the Bonds, construction of the Project, operation of the System, receipt of the Grant Receipts or the Gross Revenues, or in any way contesting or

affecting the validity of the Bonds or the Grants or any proceedings of the Issuer taken with respect to the issuance or sale of the Bonds, the pledge or application of the Net Revenues or any other moneys or security provided for the payment of the Bonds or the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Bonds, construction of the Project, operation of the System, receipt of the Grant Receipts or such pledge or application of moneys and security or the collection of the Net Revenues or pledge thereof.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable approvals and certificates required by law for construction of the Project, operation of the System and issuance of the Bonds have been obtained and remain in full force and effect, and competitive bids for construction of the Project have been solicited in accordance with Chapter 5, Article 22, Section 1 of the Official West Virginia Code of 1931, as amended, which bids remain in full force and effect.

4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer since the approval and execution and delivery by the Issuer of the Loan Agreement, and the Issuer has met all conditions prescribed in the Loan Agreement entered into between the Issuer and the Authority. There are outstanding debt obligations of the Issuer, which are secured by revenues or assets of the System senior and prior to the lien thereon of the Series 1987 A Bonds and Series 1987 B Bonds, being the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, dated July 1, 1973, and issued in the original aggregate principal amount of \$540,000 (the "1973 Bonds"). The Issuer is permitted, under the resolution authorizing issuance of the 1973 Bonds to issue the Bonds on a junior and subordinate basis and is in compliance with the terms thereof and the terms of the 1973 Bonds.

5. CERTIFICATION OF COPIES OF DOCUMENTS: The copies of the below-listed documents hereto attached or delivered herewith or heretofore delivered are true, correct and complete copies of the originals of the documents of which they purport to be copies, and such original documents are in full force and effect and have not been repealed, rescinded, amended or changed in any way unless modification appears from later documents also listed below:

Order of County Commission creating Public Service District.

Orders of County Commission appointing current members to Public Service Board.

Certified copies of oaths of office of current members of Public Service Board.

Rules of Procedure of Public Service Board.

Affidavit of Publication of Notice of  
Borrowing and Filing of PSC Application.

Bond Resolution.

Supplemental Resolution.

1973 Resolution.

Minutes of 1987 Organizational Meeting and  
Adoption of Bond Resolution and Supplemental  
Bond Resolution.

Loan Agreement.

EPA Grant Agreement, with Part B Amendment.

ARC Grant Commitment.

Sewer Facilities Agreement with Town of  
Peterstown.

Public Service Commission Order entered  
October 30, 1987, with Joint Stipulation.

6. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "Red Sulphur Public Service District" and it is a public service district duly created by The County Commission of Monroe County and presently existing under the laws of, and a political subdivision of, the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of 3 members whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Basil I. Meadows	January 1, 1984	December 31, 1989
Dennis Sibold	January 1, 1986	December 31, 1991
Edward L. Ferguson	January 1, 1982	December 31, 1987

The names of the duly elected, qualified and acting members of the Public Service Board of the Issuer for the calendar year 1987 are as follows:

Chairman - Basil I. Meadows  
Secretary/Treasurer - Dennis Sibold

The duly appointed and acting Counsel for the Issuer is Robert A. Irons of Union, West Virginia.

7. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the construction of the Project and operation and maintenance of the System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Bonds.

8. MEETINGS, ETC.: All actions, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the construction, acquisition, operation and financing of the Project or the System were authorized or adopted at regular or special meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes, including Chapter 6, Article 9A, of the Official West Virginia Code of 1931, as amended, and a quorum of duly appointed, qualified and acting members of the Governing Body was present and acting at all times during all such meetings.

9. CONTRACTORS' INSURANCE, ETC.: All contractors have been required to maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Local Act. The System is not presently covered by policies of flood or business interruption insurance, but will be if such coverages are available at reasonable cost.

10. GRANTS, ETC.: As of the date hereof, the United States Environmental Protection Agency has committed to the Issuer a grant in the amount of \$1,734,900, and the Appalachian Regional Commission has committed to the Issuer a grant in the amount of \$104,890. Said Grants are as of this date in force and effect. All funds of the Issuer to be used to pay the Project costs are lawfully available therefor.

11. LOAN AGREEMENT: As of the date hereof, (i) the representations of the Issuer contained in the Loan Agreement are true and correct in all material respects as if made on the date hereof; (ii) the Loan Agreement does not contain any untrue

statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (iii) to the best knowledge of the undersigned, no event affecting the Issuer has occurred since the date of the Loan Agreement which should be disclosed for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information in the Loan Agreement not misleading.

12. RATES: The Issuer has received a Final Order of the Public Service Commission of West Virginia entered October 30, 1987, granting a certificate of convenience and necessity for the Project, approving rates and charges for the services of the System and approving the financing for the Project, and has adopted a resolution prescribing such rates and charges. The time for appeal of such Final Order has not expired prior to the date hereof. However, the Issuer has received letters from the Public Service Commission staff dated November 6, 1987, and counsel to the Town of Peterstown dated November 12, 1987, respectively, to the effect that they do not intend to appeal such Final Order. Furthermore, the Issuer will not appeal such Final Order.

13. SIGNATURES AND DELIVERY: On the date hereof, the undersigned Chairman did officially sign all of the Bonds of the aforesaid issue, all dated November 16, 1987, by his manual signature, and the undersigned Secretary did officially cause the official seal of the Issuer to be imprinted upon each of said Bonds and to be attested by his manual signature, and the Registrar did officially authenticate and deliver the Bonds to a representative of the Authority as the original purchaser of the Bonds under the Loan Agreement. Said official seal is also impressed above the signatures appearing on this certificate.

14. BOND PROCEEDS: On the date hereof the Issuer received from the Authority the agreed purchase price of the Bonds, being \$919,820 (100% of par value), there being no interest accrued thereon.

15. PUBLICATION OF NOTICE OF BORROWING AND PSC FILING: The Issuer has published any required notice with respect to the acquisition and construction of the Project, anticipated user rates and charges, issuance of the Bonds and filing of a formal application for a certificate of convenience and necessity with the Public Service Commission of West Virginia, in accordance with Chapter 16, Article 13A, Section 25 of the Official West Virginia Code of 1931, as amended.

16. PRIVATE USE OF FACILITIES: The Issuer shall at all times take, and refrain from taking, and shall not fail to take, any and all actions necessary in order to assure the initial and continued tax-exempt status of the Bonds. Less than 10% of the



proceeds of the Bonds will be used, directly or indirectly, for any private business use, and less than 10% of the payment of principal of, or the interest on, such issue, under the terms of such issue or any underlying arrangement, is, directly or indirectly, secured by any interest in property used or to be used for a private business use, payments in respect of such property, or to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use. None of the proceeds of the Bonds will be used, directly or indirectly, for any private business use which is not related to the governmental use of the proceeds of the Bonds, including the disproportionate related business use of the proceeds of the Bonds, and none of the payment of principal on, or the interest on, such issue, under the terms of any underlying arrangement, is, directly or indirectly, secured by any interest in property used, or to be used for a private business use, payments in respect of such property or to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use with respect to such private business use, which is not related to any government use of such proceeds, including the disproportionate business use of the issue of the Bonds. None of the proceeds of the issue of the Bonds will be used, directly or indirectly, to make or finance loans to persons other than governmental units. For purposes of this paragraph, private business use means use, directly or indirectly, in a trade or business carried on by any person other than a governmental unit, other than use as a member of the general public, all within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "Code").

17. NO FEDERAL GUARANTY: The Bonds are not, in whole or part, and will not be, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

18. IRS INFORMATION RETURN: On the date hereof, the undersigned Chairman did officially sign a properly completed IRS Form 8038-G and will cause such executed Form 8038-G to be filed in a timely manner with the Internal Revenue Service Center, Philadelphia, Pennsylvania.

19. SPECIMEN BONDS: Delivered concurrently herewith are true and accurate specimens of the Bonds.

WITNESS our signatures and the official seal of  
RED SULPHUR PUBLIC SERVICE DISTRICT on this 16th day of November,  
1987.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Basil Meadows

Chairman

Dennis Sebald

Secretary

Robert A. ...

Counsel to Issuer

11/11/87  
RSPSD1-I



RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds,  
Series 1987 A

CERTIFICATE AS TO ARBITRAGE

I, Basil I. Meadows, Chairman of Red Sulphur Public Service District, in Monroe County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of \$738,647 aggregate principal amount of Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A, of the Issuer, dated November 16, 1987 (the "Local Bonds"), hereby certify as follows:

1. This certificate is being executed and delivered pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder (the "Code"). I am one of the officers of the Issuer charged with the responsibility of issuing the Local Bonds. I am familiar with the facts, circumstances, and estimates herein certified and am duly authorized to execute and deliver this certificate on behalf of the Issuer.

2. This certificate may be relied upon as the certificate of the Issuer.

3. The Issuer has not been notified by the Internal Revenue Service of any listing or proposed listing of it as an issuer the certification of which may not be relied upon by holders of obligations of the Issuer or that there is any disqualification of the Issuer by the Internal Revenue Service because a certification made by the Issuer contains a material misrepresentation.

4. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on November 16, 1987, the date on which the Local Bonds are being physically delivered in exchange for the issue price thereof, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

5. In the resolution pursuant to which the Local Bonds are issued, the Issuer has covenanted to make no use of the proceeds of the Local Bonds which would cause the Local Bonds to be "arbitrage bonds" within the meaning of the Code.

6. The Local Bonds were sold and delivered on November 16, 1987, to the West Virginia Water Development Authority (the "Authority") for an aggregate purchase price of \$738,647 (100% of par). Concurrently with delivery of the Local Bonds the Issuer also sold and delivered its Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, also dated November 16, 1987, in the aggregate principal amount of \$181,173 (the "Supplemental Bonds"). The Supplemental Bonds bear no interest.

7. The Local Bonds and Supplemental Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of paying a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing combined waterworks and sewerage system of the Issuer (the "Project"), capitalizing interest on the Local Bonds and paying costs of issuance thereof.

8. The Issuer shall, within 30 days following delivery of the Local Bonds, enter into agreements which require the Issuer to expend in excess of \$100,000 on the Project or has already done so. Acquisition, construction and equipping of the Project will proceed with due diligence to completion, and, with the exception of proceeds constituting capitalized interest, all of the proceeds from the sale of the Local Bonds, together with any investment earnings thereon, will be expended for payment of Costs of the Project on or before January 1, 1989. Construction of the Project is expected to be completed by December 1, 1988, which is within 3 years of November 16, 1987.

9. The total cost of the Project, excluding costs of issuance, is estimated at \$2,693,860. Sources of funding for such Project costs are as follows:

EPA Grant	\$1,734,900
ARC Grant	104,890
Funds of the Issuer	42,050
Net proceeds of Local Bonds and Supplemental Bonds (Gross proceeds of both less \$107,800 costs of issuance, including \$96,500 capitalized interest)	<u>812,020</u>
Total	<u>\$2,693,860</u>

The amount of Project costs not expected to be reimbursed or paid from grants, Supplemental Bond proceeds and funds of the Issuer lawfully available therefor is estimated to be at least \$738,647. Except for the proceeds of the Local Bonds, the Supplemental Bonds,

the EPA Grant, the ARC Grant and such funds of the Issuer, no other funds of the Issuer will be available to meet costs of the Project, and no balances are available to meet such costs in any account which may, without legislative or judicial action, be invaded to pay such expenditures without a legislative, judicial or contractual requirement that such account be reimbursed.

10. Pursuant to Article V of the Local Act, the following special funds or accounts have been created or continued:

- (1) Revenue Fund;
- (2) Renewal and Replacement Fund;
- (3) Bond Construction Trust Fund;
- (4) Series 1987 A Bonds Sinking Fund, and within the Series 1987 A Bonds Sinking Fund, the Series 1987 A Bonds Reserve Account; and
- (5) Series 1987 B Bonds Sinking Fund, and within the Series 1987 B Bonds Sinking Fund, the Series 1987 B Bonds Reserve Account.

11. Pursuant to Article VI of the Local Act the proceeds of the Local Bonds and the Supplemental Bonds will be deposited as follows:

- (1) Local Bonds proceeds in the amount of \$96,500 will be deposited in the Series 1987 A Bonds Sinking Fund to pay interest on the Series 1987 A Bonds.
- (2) The balance of the proceeds of the Local Bonds and all proceeds of the Supplemental Bonds will be deposited in the Bond Construction Trust Fund and applied solely to payment of Costs of the Project, including costs of issuance of the Bonds and related costs.

12. Moneys held in the Series 1987 A Bonds Sinking Fund (with the exception of investment earnings thereon) will be used solely to pay principal of and interest on the Local Bonds and will not be available to meet costs of construction of the Project. All investment earnings on moneys in the Series 1987 A Bonds Sinking Fund and Series 1987 A Bonds Reserve Account will be withdrawn therefrom and deposited into the Bond Construction Trust Fund until completion of the Project, and thereafter will be deposited, not less than once each year, in the Revenue Fund, and such amounts will

Revenue Fund, and such amounts will be applied in full, first to the next ensuing interest payment, if any, due on the Series 1987 A Bonds, and then to the next ensuing principal payment due thereon.

13. Except for the Series 1987 A Bonds Sinking Fund, there are no other funds or accounts established or held by the Issuer which are reasonably expected to be used to pay debt service on the Local Bonds or which are pledged as collateral for the Local Bonds and for which there is a reasonable assurance that amounts therein will be available to pay debt service on the Local Bonds, if the Issuer encounters financial difficulties.

14. The Issuer expects to enter into a contract within 6 months of the date hereof for the construction of the Project, and the amount to be expended pursuant to such contract exceeds the lesser of 2 1/2% of the estimated total Project cost financed with proceeds from the sale of the Local Bonds or \$100,000.

15. Work with respect to the construction of the Project will proceed with due diligence to completion. Construction is expected to be completed within 3 years of May 22, 1986.

16. The Issuer will comply with the provisions of the Code, for which the effective date precedes the date of delivery of its Local Bonds to the Authority.

17. The Issuer expects that no part of the Project financed by the Local Bonds will be sold or otherwise disposed of prior to the last maturity date of the Local Bonds.

18. With the exception of the amounts deposited in the Series 1987 A Bonds Sinking Fund for payment of interest on the Local Bonds, if any, all of the proceeds of the Local Bonds will be expended on the Project within 13 months from the date of issuance thereof.

19. Any money deposited in the Series 1987 A Bonds Sinking Fund for payment of the principal of or interest on the Local Bonds (other than the Series 1987 A Bonds Reserve Account therein) will be spent within a 13-month period beginning on the date of receipt.

20. The Issuer covenants and agrees to comply with the rebate requirements of the Code, and with all other requirements of the Code necessary, proper or desirable to maintain the tax-exempt status of the interest on the Local Bonds.

21. Steptoe & Johnson is entitled to rely upon the representations, expectations, covenants, certifications and

statements contained herein in rendering its opinions regarding the tax-exempt status of interest on the Local Bonds.

22. The original proceeds of the Local Bonds will not exceed the amount necessary for the purposes of the issue.

23. To the best of my knowledge, information and belief, the foregoing expectations are reasonable.

IN WITNESS WHEREOF, I have set my hand this 16th day of November, 1987.

RED SULPHUR PUBLIC SERVICE DISTRICT

By Basil S. Meadows  
Chairman, Public Service Board

11/14/87  
RSPSD1-J





RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds,  
Series 1987 A and Series 1987 B

ENGINEER'S CERTIFICATE

I, GEORGE A. TICE, Registered Professional Engineer, West Virginia License No. 4550, of G. A. Tice, Incorporated, Consulting Engineers, of Beckley, West Virginia, hereby certify as follows:

1. My firm is the consulting engineer for the construction and acquisition of certain additions, betterments and improvements for the existing combined waterworks and sewerage system (the "Project") of Red Sulphur Public Service District in Monroe County, West Virginia (the "Issuer"). Certain costs of such construction and acquisition are being financed in part by proceeds of the above-captioned bonds (the "Bonds") and out of certain grant proceeds from the Environmental Protection Agency and Appalachian Regional Commission.

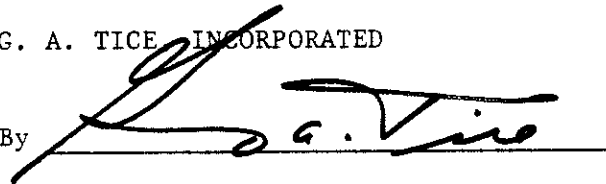
2. I hereby certify that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm, or amendments thereto and as described in the Application submitted to the West Virginia Water Development Authority (the "Authority") and approved by all necessary governmental bodies and is situate wholly or chiefly within the boundaries of Red Sulphur Public Service District; (ii) the Project is adequate for the purpose for which it was designed and all necessary governmental approvals for the construction thereof have been obtained; (iii) I have examined and reviewed all plans, specifications, bid documents and construction contracts relating to the Project and all bids for construction of the Project have been received in an amount and are otherwise compatible with the plan of financing described in said Application and I will ascertain that all contractors have made required provisions for all insurance and payment and performance bonds and such insurance policies or binders and such bonds will be verified for accuracy and completeness prior to commencement of construction of the Project; (iv) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States of America necessary for construction of the Project; (v) the construction and funding for the Project should proceed to a successful conclusion within the time schedules proposed; (vi) the useful life of the facilities constituting the Project is not less than 40 years; (vii) the rates and charges for the combined

waterworks and sewerage system of the Issuer comply with the applicable provisions of the Loan Agreement and Supplemental Loan Agreement by and between the Authority and the Issuer; (viii) the net proceeds of the Bonds, together with the proceeds of grants irrevocably committed therefor and other moneys on deposit or to be simultaneously deposited and irrevocably committed therefor, will be sufficient to pay the costs of acquisition and construction of the Project as set forth in the application submitted to the Authority on the date of the Loan Agreement; and (ix) attached hereto as Exhibit A is the final amended Schedule A - Total Cost of Project and Sources of Funds for the Project.

WITNESS my signature on this 16th day of November, 1987.

G. A. TICE INCORPORATED

By

A handwritten signature in black ink, appearing to read "G. A. Tice", is written over a horizontal line.

11/14/87  
RSPSD1-K

## EXHIBIT A

## AMENDED SCHEDULE A

NAME OF GOVERNMENTAL AGENCY: Red Sulphur Public Service District  
 TOTAL COST OF PROJECT AND SOURCES OF FUNDS

A. Cost of Project

1. Construction	\$	<u>2,018,830</u>	
2. Technical Services	\$	<u>422,700</u>	
3. Legal and Fiscal	\$	<u>21,500</u>	
4. Administrative	\$	<u>40,000</u>	
5. Site and Other Lands	\$	<u>5,000</u>	
6. Step I and/or Step II or Other Loan Repayment (Specify Type: <u>Step I &amp; Step II</u> )	\$	<u>76,400</u>	
7. Interim Financing Costs	\$	<u>10,000</u>	
8. Contingency	\$	<u>99,430</u>	
9. Total of Lines 1 through 8			\$ <u>2,693,860</u>

B. Sources of Funds

10. Federal Grants: <sup>1</sup>	<u>USEPA (Adjusted Part B)</u>	\$	<u>1,734,900</u>	
(Specify Source)	<u>USARC (Fixed)</u>	\$	<u>104,890</u>	
11. State Grants: <sup>1</sup>		\$	<u>-</u>	
(Specify Source)		\$	<u>-</u>	
		\$	<u>-</u>	
		\$	<u>-</u>	
12. Other Grants: <sup>1</sup>	<u>Not Applicable</u>	\$	<u>-</u>	
(Specify Source)		\$	<u>-</u>	
13. Any Other Source: <sup>2</sup>	<u>New Tap Fees</u>	\$	<u>30,750</u>	
(Specify)	<u>District Cap. Imp. Funds</u>	\$	<u>11,300</u>	
14. Total of Lines 10 through 13				\$ <u>1,881,840</u>
15. Proceeds Required from Bond Issue (Line 9 less Line 14)				\$ <u>812,020</u>
16. Cost of Financing: <sup>3</sup>				
(a) Capitalized Interest	\$	<u>96,500</u>		
(construction period plus six months)				
(b) Funded Reserve Account <sup>4</sup>	\$	<u></u>		
(c) Other Costs <sup>5</sup>	\$	<u>9,300.00</u>		
	\$	<u></u>		
	\$	<u>2,000.00</u>		
Total Cost of Financing				\$ <u>107,800</u>
17. Size of Bond Issue (Line 15 plus Total from Line 16)				\$ <u>919,820</u>

- <sup>1</sup> Attach supporting documentation not previously submitted. If not yet available, state such and expectations as to availability.
- <sup>2</sup> For example, interest earnings during construction, if applicable. Include the proceeds of any parity or subordinate bond issue to be used for such purpose and attach supporting documentation if available (if not yet available, state such and expectations as to availability).
- <sup>3</sup> Do not include the Authority's costs of financing.
- <sup>4</sup> Confirm with bond counsel that funding will not impact tax-exempt status of bond issue.
- <sup>5</sup> For example, fees of bond counsel for the Governmental Agency.
- <sup>6</sup> Legal fees paid by the Authority but allocable to the Governmental Agency.



*Jeffrey S. Feamster*  
*Certified Public Accountant*  
*P.O. Box 121*  
*Lewisburg, West Virginia 24901*  
*304-647-5980*

November 16, 1987

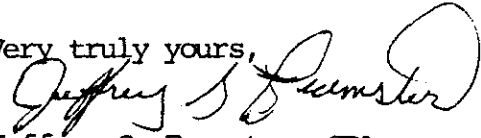
Red Sulphur Public Service District  
Combined Waterworks and Sewerage System Revenue Bonds,  
Series 1987 A and Series 1987 B

West Virginia Water Development Authority  
1201 Dunbar Avenue  
Dunbar, West Virginia 25065

Gentlemen:

Based upon the rates and charges as set forth and approved in the order of the Public Service Commission of West Virginia (Case No. 86-616-S-CN) entered October 30, 1987, and projected operation and maintenance expenses and anticipated customer usage as furnished to us by G.A. Tice Incorporated, consulting engineers, it is our opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the combined waterworks and sewerage system of Red Sulphur Public Service District, will pay all repair, operation and maintenance expenses and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A and Series 1987 B, to be issued to West Virginia Water Development Authority and all other obligations secured or payable from the revenues of the System prior to or on a parity with such Bonds, including the District's Series 1973 Bonds.

Very truly yours,

  
Jeffrey S. Feamster, CPA

rcf



"b) The territory to be embraced in the public service district shall be as follows:  
All of Red Sulphur District, Monroe County, West Virginia.

"c) The purpose of said public service district shall be to construct or acquire by purchase or otherwise and maintain, operate and improve and extend properties supplying sewerage services within such territory.

"d) The territory described above does not include within its limits the territory of any other public service district organized under Article 13A of Chapter 16, Code of West Virginia, but does include the municipal corporation of the Town of Peterstown.

"Section 3. That on the 4th day of May, 1959, at the hour of 10:30 A. M. this County Court shall meet in the Circuit Courtroom in the courthouse at Union, West Virginia for the purpose of conducting a public hearing on the creation of the proposed public service district, at which time and place all persons residing in or owning or having any interest in property in the proposed public service district may appear and shall have an opportunity to be heard for and against the creation of said district, and, at such hearing, the County Court shall consider and determine the feasibility of the creation of the proposed public service district.

"Section 4. That the Clerk of this Court is hereby authorized and directed to cause notice of such hearing in substantially the form hereinafter set out to be published on April 23 and April 30, 1959 in The Monroe Watchman, a newspaper of general circulation published in Monroe County.

"NOTICE OF PUBLIC HEARING ON CREATION OF RED SULPHUR  
PUBLIC SERVICE DISTRICT"

"Notice is hereby given that, deeming it to be in the public interest, the County Court of Monroe County, West Virginia on its own motion, it having received the consent of the Town Council of the Town of Peterstown, a municipal corporation lying within the limits of said proposed district, as required by law, has proposed the creation of a public service district within Monroe County for the purpose of constructing or acquiring by purchase or otherwise and the maintenance, operation and extension of public service properties supplying sewerage services within the district hereinafter described to be named Red Sulphur Public Service District and having the following description:

All of Red Sulphur District in Monroe County, West Virginia.

All persons residing in or owning or having any interest in property in said proposed public service district are hereby notified that the County Court of Monroe County will conduct a public hearing on the 4th day of May, 1959, at 10:30 A. M. in the Circuit Courtroom in the courthouse at Union, West Virginia at which time and place all interested persons may appear before the County Court and shall have an opportunity to be heard for and against the creation of the proposed public service district.

By order of the County Court this 8th day of April, 1959.

ATTEST Harold C. McDonald  
Clerk of the County Court of Monroe  
County, West Virginia

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ADJOURNMENT ORDER:

It is ordered that this Court be and the same is hereby adjourned until May 4, 1959, at which time it will convene in Regular Session.

Edward L. Casper  
PRESIDENT



FIDUCIARY SETTLEMENTS AND REPORT OF CLAIMS, APPROVED.

<u>Decedent or Ward,</u>	<u>Fiduciary</u>	<u>Kind of Settl.</u>	<u>Date</u>	<u>Comr. of Accts.</u>
Mickey S. Ball, Minor	J. L. Ingles, Guardian	Settl	4-10-59	Forrest Roles
Lewis F. Christie, Dec'd.	Maxine C. Beckett, Admr.	Settl.	4-15-59	Forrest Roles.
S. B. Leach, Dec'd.	J. Harvey Leach, Exec.	P. Settl.	4-15-59	Forrest Roles.

And the foregoing settlements having been examined and the Court hereby approved and confirms said settlements and orders the same recorded in the proper Fiduciary Record of this Court.

And, upon the recommendation of Forrest Roles, one of the Commissioners of Accounts of this Court, J. Harvey Leach, Executor of the estate of S. B. Leach, deceased, be relieved and the surety on their bonds be relieved from any further liability in connection with the settlement of the estate herein reported.

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RED SULPHUR PUBLIC SERVICE DISTRICT:

At a regular meeting of the County Court of Monroe County, West Virginia, held at the courthouse at Union at 10:30 A. M., on Monday, May 4, 1959, there were present, Hugh G. Cook, President, presiding, and H. L. Walkup and Charles O. Hines, Commissioners.

This being the date fixed by prior action of the County Court for conducting the public hearing on the creation of the proposed Red Sulphur Public Service District as contemplated and provided for in an order heretofore passed by this court on the 6th day of April, 1959, the president announced that all persons residing in, or owning, or having any interest in property in such proposed public service district desiring to be heard for or against the creation would be heard, and all such interested persons desiring to be heard were given full opportunity.

The County Court, having further discussed and considered the feasibility of the creation of the proposed district, is of the opinion that in the public interest, the said district should be created.

Thereupon, H. L. Walkup moved the passage of the following resolution and order, which motion was duly seconded by Charles O. Hines and passed unanimously by said court.

"WHEREAS, the County Court of Monroe County, West Virginia, did heretofore, by an order passed on the 5th day of April, 1959, fix a date for a public hearing on the creation of the proposed Red Sulphur Public Service District, and in and by said order, provide that all persons residing in or owning, or having any interest in property in the proposed public service district might appear before the County Court at this meeting and have the opportunity to be heard for and against the creation of said district; and

"WHEREAS, notice of this hearing was duly given in the manner provided and required by said order and by Article 13a of Chapter 16 of the Code of West Virginia, and all interested persons have been afforded an opportunity of being heard for and against the creation of said district, but no written protest has been filed by the requisite number of qualified voters registered and residing within said proposed public service district, and said County Court has given due consideration to all matters for which such hearing was offered; and

"WHEREAS, it is now deemed desirable by said County Court to adopt a resolution and order creating said district;

"NOW, THEREFORE, Be it Resolved and Ordered by the County Court of Monroe County, West Virginia, as follows:

"Section 1. That a public service district within Monroe County, West Virginia, is hereby created, and such district shall have the following described boundaries:

"All of Red Sulphur District in Monroe County, West Virginia.

"Section 2. That said public service district so created shall have the name and corporate title of "Red Sulphur Public Service District," and shall constitute a public corporation and political subdivision of the State of West Virginia, having all of the rights and powers conferred on public service districts by the laws of the State of West Virginia, and particularly Article 13a, Chapter 16 of the Code of West Virginia.

"Section 3. That the County Court of Monroe County, West Virginia has determined that the territory within said county, being all of Red Sulphur District, is so situated that the construction or acquisition by purchase or otherwise, and the maintenance, operation, improvement and extension of properties supplying sewerage service within such territory by said public service district will be conducive to the preservation of public health, comfort and convenience of such area."

The following resolution and order, the passage of which was duly moved by H. L. Walkup and seconded by Charles O. Hines, was passed unanimously by the County Court of Monroe County, West Virginia:

"A RESOLUTION AND ORDER APPOINTING MEMBERS TO PUBLIC SERVICE BOARD OF THE RED SULPHUR PUBLIC SERVICE DISTRICT".

"WHEREAS, the County Court of Monroe County, West Virginia, did heretofore, by resolution and order passed May 4, 1959, create Red Sulphur Public Service District; and

"WHEREAS, under the provisions of Article 13a, Chapter 16, of the Code of West Virginia, the powers of said public service district shall be vested in, and exercised by, a public service board; and

"WHEREAS, the Incorporated Town of Peterstown, having a population as shown by the census for the year 1950, of 571, is located within the boundaries of said public service district:

"NOW, THEREFORE, Be it Resolved and Ordered by the County Court of Monroe County, West Virginia, as follows:

"Section 1. That the said court hereby finds and determines that the following persons, who are residents of Red Sulphur Public Service District are hereby appointed members of the public service board of said district, and their respective terms of office shall be as follows: Frank R. Spencer for a term of six years from May, 1, 1959; Charles O. Hines for a term of four years from May 1, 1959; and E. E. Rowe for a term of two years from May 1, 1959.

"Section 2. The aforesaid persons shall meet as soon as practicable at the office of the Clerk of said County Court, and shall qualify by taking the oath of office, and thereafter said appointees constituting the initial public service board of Red Sulphur Public Service District shall meet and organize in compliance with the provisions of Article 13a of Chapter 16 of the Code of West Virginia."



## RESOLUTION OF MONROE COUNTY COMMISSION

WHEREAS, at various times prior to the date hereof, the Monroe County Commission appointed Dennis Sibold, Basil Meadows, and E.L. Ferguson as Directors of the Red Sulphur Public Service District, Peterstown, Monroe County, West Virginia; and,

WHEREAS, the minutes and other records of the Monroe County Commission do not properly reflect the term of office for each of the above individuals, as Directors of the Red Sulphur Public Service District; and,

WHEREAS, in order to correct this problem and to eliminate any further question as to the term of office of the aforesaid Directors, the undersigned Commissioners now wish to have this consent resolution entered upon the minute books of the Monroe County Commission,

NOW THEREFORE, IT IS HEREBY RESOLVED, that the previous appointment of Dennis Sibold, Basil Meadows, and E.L. Ferguson, as Directors of the Red Sulphur Public Service District be ratified and confirmed in all respects, with the term of office of the said Dennis Sibold to begin January 1, 1986, and terminate December 31, 1991; the term of office for the said Basil Meadows to begin January 1, 1984, and terminate December 31, 1989; the term of office for the said E.L. Ferguson to begin January 1, 1982, and terminate December 31, 1987. The undersigned Commissioners further direct that this resolution be entered upon the minutes of the Monroe County Commission to clarify the respective term of office of the aforesaid Directors of the Red Sulphur Public District and that this Order have the same force and

effect as though it had been entered on the minute books of Monroe County at the original time of the appointment of the aforesaid Directors, in its entirety.

DATED November 3, 1987.

A. C. Libald

COMMISSIONER

Sam B. Wickline

COMMISSIONER

Randall Walker

COMMISSIONER



57

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA,  
COUNTY OF MONROE, TO-WIT:

I do solemnly swear that I will support the Constitution  
of the United States and the Constitution of the State of West  
Virginia, and that I will faithfully discharge the duties of  
the office of Red Sulphur Public  
Service District  
to the best of my skill and judgment SO HELP ME GOD.

Basil H. Meadows  
Subscribed and sworn to before me, in said County and State,  
this 18 day of January, 1985.  
My Commission Expires: October 10, 1994

Anna H. Shaver  
NOTARY PUBLIC

WEST VIRGINIA, IN MONROE COUNTY COURT CLERK'S OFFICE

January 18 1985, at 11:15 AM.  
This Oath was this day presented in this office  
and together with the certificate thereto annexed is admitted  
to record.

WEST VA. IN MONROE COUNTY COURT CLERK'S OFFICE  
1-18-85 11:15 AM PM  
THU  
FRI  
SAT  
SUN

TESTE

John H. Hines CLERK

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA,  
COUNTY OF MONROE, TO-WIT:

I do solemnly swear that I will support the Constitution  
of the United States and the Constitution of the State of West  
Virginia, and that I will faithfully discharge the duties of  
the office of Director of the Red Sulphur Public Service District

to the best of my skill and judgment SO HELP ME GOD.

Edward L. Ferguson

Subscribed and sworn to before me, in said County and State,  
this 15 day of April, 1986.

My Commission Expires: October 4, 1992

Sheila R. Carder  
NOTARY PUBLIC

WEST VIRGINIA, IN MONROE COUNTY COURT CLERK'S OFFICE

April 16 1986, at 10:15 A. M.

This Oath of Office was this day presented in this office  
and together with the certificate thereto annexed is admitted  
to record.

TESTE J. Hines CLERK



OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA,  
COUNTY OF MONROE, TO-WIT:

I do solemnly swear that I will support the Constitution  
of the United States and the Constitution of the State of West  
Virginia, and that I will faithfully discharge the duties of  
the office of Director of Red Sulphur Public  
Service District  
to the best of my skill and judgment SO HELP ME GOD.

Dennis Sibold

Subscribed and sworn to before me, in said County and State,  
this 8 day of January, 1987.

My Commission Expires: October 10, 1994

Anna M. Shaver  
NOTARY PUBLIC

WEST VIRGINIA, IN MONROE COUNTY COURT CLERK'S OFFICE

January 8, 1987, at 1:45 pm.

This Oath was this day presented in this office  
and together with the certificate thereto annexed is admitted  
to record.

TESTE J. Hines CLERK



RULES OF PROCEDURE

RED SULPHUR PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: RED SULPHUR PUBLIC SERVICE DISTRICT

Section 2. The principal office of this Public Service District will be located at P.O. Box 697, Peterstown, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Red Sulphur Public Service District, and in the center "seal" as follows:

Section 4. The fiscal year of the District shall begin the 1st day of July in each year and shall end on the following June 30.

ARTICLE II

PURPOSE

This District is organized exclusively for the purposes set forth in Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Act").

ARTICLE III

MEMBERSHIP

Section 1. The members of the Public Service Board of this District shall be those persons appointed by The County Commission of Monroe County, West Virginia, or otherwise appointed pursuant to the Act, who shall serve for such terms as may be specified in the order of the County Commission or otherwise.

Section 2. Should any member of the Public Service Board resign or otherwise become legally disqualified to serve as a member of the Public Service Board, the Secretary shall immediately notify the County Commission or other entity provided under the Act and request the appointment of a qualified person to fill such vacancy. Prior to the end of the term of any member of the Public Service Board, the Secretary shall notify the County Commission or other entity provided under the Act of the pending termination and request the County Commission or other entity provided under the Act to enter an order of appointment or re-appointment to maintain a fully qualified membership of the Public Service Board.

#### ARTICLE IV

##### MEETINGS OF THE PUBLIC SERVICE BOARD

Section 1. The members of the Public Service Board of this District shall hold regular monthly meetings on the \_\_\_\_\_ of each month at such place and hour as the members shall determine from time to time. If the day stated shall fall on a legal holiday, the meeting shall be held on the following day. Special meetings of the Public Service Board may be called at any time by the Chairman or by a quorum of the Board.

Section 2. At any meeting of the Public Service Board of the District, 2 members shall constitute a quorum. Each member of the Public Service Board shall have one vote at any membership meeting and if a quorum is not present, those present may adjourn the meeting to a later date.

Section 3. Unless otherwise waived, notice to members by letter or telephone shall be required for regular meetings. Unless otherwise waived, notice in writing of each special meeting of the membership shall be given to all members by the Secretary by mailing the same to the last known post office addresses of the members at least 3 days before the date fixed for such meeting. The notice of any special meeting shall state briefly the purposes of such meeting and the nature of the business to be transacted thereat, and no business other than that stated in the notice or incidental thereto shall be transacted at any such special meeting.

##### PUBLIC NOTICE OF MEETINGS

Section 4. Pursuant to Section 3, Article 9A, Chapter 6 of the West Virginia Code of 1931, as amended, notice of the time and place of all regularly scheduled sessions of such Public Service Board, and the time, place and purpose of all special

sessions of such Public Service Board, shall be made available, in advance, to the public and news media as follows:

A. A notice shall be posted by the Secretary of the Public Service Board of the Public Service District at the front door of the Monroe County Courthouse and at the front door of the place fixed for the regular meetings of the Public Service Board of the time and place fixed and entered of record by the Public Service Board for the holding of regularly scheduled sessions. If a particular regularly scheduled session is cancelled or postponed, a notice of such cancellation or postponement shall be posted at the front doors of the Courthouse and the meeting place as soon as feasible after such cancellation or postponement has been determined upon.

B. A notice shall be posted by the Secretary of the Public Service Board at the front door to the Monroe County Courthouse and at the front door of the place fixed for the regular meetings of the Public Service Board at least 48 hours before a special session is to be held, stating the time, place and purpose for which such special session shall be held. If the special session is cancelled, a notice of such cancellation shall be posted at the front doors of the Courthouse and the meeting place as soon as feasible after such cancellation has been determined upon.

C. The form of notice for posting as to a special session may be generally as follows:

RED SULPHUR PUBLIC SERVICE DISTRICT

NOTICE OF SPECIAL SESSION

The Public Service Board of Red Sulphur Public Service District will meet in special session on \_\_\_\_\_, at \_\_\_\_\_ .m., prevailing \_\_\_\_\_ time, \_\_\_\_\_ at \_\_\_\_\_, West Virginia, for the following purposes:

1. To consider and act upon a proposed Bond Authorizing Resolution providing for the issuance of a \_\_\_\_\_ Bond, Series \_\_\_\_\_, of the District, in the principal amount of \$ \_\_\_\_\_, to provide

funds for construction of \_\_\_\_\_  
\_\_\_\_\_ facilities of the District.

2.

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

## ARTICLE V

### OFFICERS

Section 1. The officers of the Public Service Board shall be a Chairman, Secretary and Treasurer. The Chairman shall be elected from the members of the Public Service Board. The Secretary and Treasurer need not be members of the Public Service Board, and may be the same person.

Section 2. The officers of the Public Service Board shall be elected each year by the members at the first meeting held in the month of January of such year. The officers so elected shall serve until the next annual election by the membership and until their successors are duly elected and qualified. Any vacancy occurring among the officers shall be filled by the members of the Public Service Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the following January meeting of the Board when their successors shall be elected hereinabove provided.

## ARTICLE VI

### DUTIES OF OFFICERS

Section 1. When present, the Chairman shall preside as Chairman at all meetings of the Public Service Board. He shall, together with the Secretary, sign the minutes of all meetings at which he shall preside. He shall attend generally to the executive business of the Board and exercise such powers as may be conferred upon him by the Board, by these Rules of Procedure, or prescribed by law. He shall execute, and if necessary, acknowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements or other papers necessary, requisite, proper or convenient to be

executed by or on behalf of the Board when and if directed by the members of the Board.

Section 2. If the Chairman is absent from any meeting, the remaining members of the Board shall select a temporary chairman.

Section 3. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. He shall, together with the Chairman, sign the minutes of the meetings at which he is present. The Secretary shall have charge of the minute book, be the custodian of deeds and other writings and papers of the Board. He shall also perform such other duties as he may have under law by virtue of his office or as may be conferred upon him from time to time by the members of the Board.

Section 4. The Treasurer shall be the lawful custodian of all funds of the District and shall pay same out on orders authorized or approved by the Board. The Treasurer shall keep or cause to be kept proper and accurate books of accounts and proper receipts and vouchers for all disbursements made by or through him and shall prepare and submit such reports and statements of the financial condition of the Board as the members may from time to time prescribe. He shall perform such other duties as may be required of him by law or as may be conferred upon him by the members of the Board.

## ARTICLE VII

### AMENDMENTS TO RULES OF PROCEDURE

These Rules of Procedure may be altered, changed, amended or added to at any regular or special meeting of the Board by a majority vote of the entire Board, or at any regular or special meeting of the members when a quorum is present in person and a majority of those present vote for the amendment; but no such change, alteration, amendment or addition shall be made at any special meeting unless notice of the intention to propose such change, alteration, amendment or addition and a clear statement of the substance thereof be included in the written notice calling such meeting.

11/14/87  
RSPSD1-W





Regular monthly meeting of the Red Sulphur P.S.D. was held on Jan 21, 1987 at 7: P.M. in their Office at Pages insurance agency. Board members meeting at 6: P.M. before regular meeting which started at 7:00 P.M. Present all 3 members, Basil meadows, Dennis Sibold, Edward Ferguson

The following officers was elected as following Basil meadows. Chairman, Dennis Sibold, Sec + Treas Wally Page, Book Keeper, Other business discuss was Jimmie Canterbury certification of Plant operator. The board unanimous agree to set April 15, 1987<sup>th</sup> Passed his test, also Edward Ferguson suggested that Dennis take over the duties of Manager with no added compensation during the year of 1987. Unanimous agree to by all Board members, also starting at 7: P.M. in addition to the 3 board member, Porter Robertson, Jimmie Canterbury Wally Page were Present, Expenses for month \$14,110.60 Old business meter at Sharon Atkins, and Forest Rice wasn't removed by order of the P.S.D.

Motion made by Basil, Second by Edward that the following invoices be approved & paid

- |  |            |
|--|------------|
| 1. Northern Hydraulic                      | \$37.29    |
| 2. Magistrate Court (refund on water bill) | \$25.00    |
| 3. Hydraulic Press                         | \$3,036.86 |
| 4. Postmaster (Postage)                    | \$40.00    |



RED SULPHUR PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,  
Series 1987 A and Series 1987 B

MINUTES ON ADOPTION OF BOND AND NOTES  
RESOLUTION AND SUPPLEMENTAL RESOLUTIONS

I, DENNIS SIBOLD, SECRETARY of the Public Service Board of Red Sulphur Public Service District, hereby certify that the following is a true and correct excerpt of the minutes of a special meeting of the said Public Service Board:

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The Public Service Board of Red Sulphur Public Service District met in special session, pursuant to notice duly posted, on the 12th day of November, 1987, at Peterstown, West Virginia, at the hour of 7:00 p.m.

PRESENT:	Basil I. Meadows	- Member and Chairman
	Dennis Sibold	- Member and Secretary/Treasurer
	Edward L. Ferguson	- Member
	Robert A. Irons	- Attorney

ABSENT: none

Also present were Vincent A. Collins, bond counsel, and George A. Tice and James A. Frasure, consulting engineers.

Basil I. Meadows, Chairman, presided and Dennis Sibold acted as Secretary.

The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it. Thereupon, the Chairman presented a proposed Bond and Notes Resolution in writing entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND  
CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF  
RED SULPHUR PUBLIC SERVICE DISTRICT AND THE  
FINANCING OF THE COST, NOT OTHERWISE PROVIDED,  
THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF  
NOT MORE THAN \$1,000,000 IN AGGREGATE PRINCIPAL  
AMOUNT OF COMBINED WATERWORKS AND SEWERAGE

SYSTEM REVENUE BONDS, SERIES 1987 A, NOT MORE THAN \$400,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 B, AND NOT MORE THAN \$1,000,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES OR BOTH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

and caused the same to be read and there was discussion. Thereupon, on motion of Mr. Ferguson, seconded by Mr. Sibold, it was unanimously ordered that the said Bond and Notes Resolution be adopted and be in full force and effect on and from the date hereof.

The Chairman then presented a proposed Supplemental Resolution in writing entitled:

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES AND OTHER TERMS OF THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 A AND SERIES 1987 B OF RED SULPHUR PUBLIC SERVICE DISTRICT; AUTHORIZING, APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS

and caused the same to be read and there was discussion. Thereupon, on motion of Mr. Ferguson, seconded by Mr. Sibold, it was unanimously ordered that the said Supplemental Resolution be adopted and be in full force and effect on and from the date hereof.

There also was discussion of bank line of credit financing in the amount of \$600,000 and a resolution was presented relating to such line of credit and the terms thereof. Thereupon, on motion of

Mr. Ferguson, seconded by Mr. Sibold, a resolution authorizing the obtaining of the line of credit was unanimously adopted.

There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously ordered that the meeting adjourn.


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I hereby certify that the foregoing action of said Public Service Board remains in full force and effect and has not been amended or repealed.

WITNESS my signature on this 16th day of November, 1987.

  
Secretary, Red Sulphur Public Service  
District, Public Service Board

11/14/87  
RSPSD3-B



THIS CONTRACT, dated this 25 day of January, 1964,  
by and between the TOWN OF PETERSTOWN, a municipal corporation,  
party of the first part, and RED SULPHUR PUBLIC SERVICE DISTRICT,  
a corporation, party of the second part.

W I T N E S S E T H:

That for and in consideration of the sum of Five Dollars  
(\$5.00), cash in hand paid, the receipt of which is hereby  
acknowledged, and in further consideration of the agreement of  
the party of the second part to pay all amounts due on any  
outstanding bonds of the water and sewer Refunding Bond Issue of  
August 1, 1948, of said party of the first part, as well as for  
the payment of all creditors and the protection of the rights of  
the holders of any other bonds or obligations of the Town of  
Peterstown issued for the purpose of the combined waterworks and  
sewerage system of the said Town of Peterstown, and in further  
consideration of the terms and conditions hereinafter set forth,  
the party of the first part does hereby contract to and with said  
party of the second part for the operation and management by the  
party of the second part of all of the facilities and properties  
of the combined waterworks and sewerage system of the party of  
the first part, and the party of the second part does hereby agree  
to operate and manage said facilities and properties for the  
following period of time and under the following terms and conditions:

1. The term of this Contract shall be forty (40) years from the date hereof with the right to the party of the second part to renew said Contract for an additional period of forty (40) years, or a lesser term at its option, upon the payment of the sum of One Hundred Dollars (\$100.00) and giving of notice prior to the expiration of the original term, provided, however, that upon payment in full of all principal and interest due on all bonds hereafter issued by RED SULPHUR PUBLIC SERVICE DISTRICT as well as all other lawful obligations of Red Sulphur Public Service District incurred for enlargement, extension, improvement, management and operation of said combined system, either party hereto may terminate this contract by giving sixty (60) days' written notice of intention to do so.

2. Party of the second part shall operate, maintain, service and repair the existing municipally owned combined waterworks and sewage system and any extensions or improvements thereto throughout the term of said Contract, or any renewal thereof, and shall collect and disburse all amounts due from consumers for the lawful purpose of said combined system as extended and improved, including payments for principal and interest on a bond issue hereafter to be issued by said District for the purpose of improving, extending, and enlarging said combined system. All gross revenues of the system shall be the property of the District during the term of this Contract to be used by the District for all lawful purposes thereof.



3. Rates to be charged consumers by said party of the second part shall be those approved by the Public Service Commission of the State of West Virginia, and the service rendered shall be reasonable and adequate, and subject to the supervision of said Public Service Commission. The applications now pending in the Public Service Commission will be amended to provide that the monthly water rate for the first 4,000 gallons shall be a flat fee of \$3.40.

4. Said contract shall take effect upon the date designated in written notice given by the party of the second part to the party of the first part of the date the party of the second part will take possession of said combined system hereunder, accompanied by proper evidence that the rights of all creditors and of the holders of any outstanding bonds issued by the Town of Peterstown for such combined system have been legally conformed to, complied with and protected, including, but not limited to the holders of the outstanding bonds of the water and sewer Refunding Bond issue of October 1, 1948, of said party of the first part. Any balance remaining in the bank account or accounts of said combined system at First National Bank of Peterstown at the time this contract takes effect shall be retained by the Town of Peterstown, except for any portions thereof that are required by law to be applied to any indebtedness of said combined system including the aforesaid bond issue.

5. Party of the second part agrees to improve, extend and enlarge said combined system, and all improvements, extensions and enlargements of said system made by the party of the second part shall be the property of the party of the second part. Party of the second part agrees not to extend said system beyond the outside boundaries of the same as shown in present plans for said

system as approved by the State Health Department, without the approval of the Town of Peterstown unless required to do so by the Public Service Commission.

6. Red Sulphur Public Service District shall during the term of said contract or any renewal thereof furnish water for fire hydrant service to all existing hydrants of the Town and to any additional hydrants installed hereafter within the corporate limits of the Town of Peterstown accessible to said system or any extension thereof, without charge, and shall likewise furnish sewer water and sewer sewer service to the town hall and any existing or future fire stations without charge.

7. This contract shall be subject to the approval of the Public Service Commission of West Virginia, and any modification therein required by said Public Service Commission shall be made by a supplementary instrument to be executed by the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused their corporate names to be signed hereto by their respective presiding officers and their corporate seals to be affixed hereto as of the day and year first above written.

(EXECUTED IN DUPLICATE)

Seal of Town of Peterstown

TOWN OF PETERSTOWN, a municipal corporation  
By: Thomas Francis  
Recorder

ATTEST:

E. F. Thomas  
Councilman

RED SULPHUR PUBLIC SERVICE DISTRICT,  
a corporation

ATTEST:

James H. Ramsay  
Secretary

By: Dennis Sibold  
Chairman of Board of Commissioners



# STEPTOE & JOHNSON

ATTORNEYS AT LAW

SIXTH FLOOR

UNION NATIONAL CENTER EAST

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

(304) 624-8000

TELECOPIER (304) 624-8183

CHARLESTON OFFICE

715 CHARLESTON NATIONAL PLAZA

P. O. BOX 1588

CHARLESTON, W. VA. 25328

(304) 342-2191

TELECOPIER (304) 342-0726

## CHARLESTON

CHARLES W. YEAGER  
CARL F. STUCKY, JR.  
OTIS L. O'CONNOR  
WAYNE A. SINCLAIR  
JAMES R. WATSON  
DANIEL R. SCHUDA  
SPRAGUE W. HAZARD  
HERSCHEL H. ROSE, III  
CHRISTOPHER P. BASTIEN  
STEVEN P. MCGOWAN  
MARTIN R. SMITH, JR.  
W. RANDOLPH FIFE

OF COUNSEL  
ROBERT W. LAWSON, JR.

WRITER'S DIRECT DIAL NUMBER

## CLARKSBURG

RALPH BOHANNON  
ERNEST C. SWIGER  
HERBERT G. UNDERWOOD  
JACKSON L. ANDERSON  
ROBERT G. STEELE  
JAMES M. WILSON  
PATRICK D. DEEM  
ROBERT M. STEPTOE, JR.  
ANNE R. WILLIAMS  
JAMES D. GRAY  
VINCENT A. COLLINS  
JAMES A. RUSSELL  
FRANK E. SIMMERMAN, JR.  
WILLIAM T. BELCHER  
MICHAEL L. BRAY  
DAVID C. CLOVIS  
J. GREG GOODYKOONTZ  
IRENE M. KEELEY  
EVANS L. KING, JR.  
WALTER L. WILLIAMS  
SUSAN S. BREWER  
RONALD H. HANLAN  
C. DAVID MORRISON  
HARRY P. WADDELL  
CLEMENT D. CARTER, III  
W. HENRY LAWRENCE, IV  
WILLIAM E. GALEOTA  
GORDON H. COPLAND  
RANDALL C. LIGHT  
RICHARD M. YURKO, JR.  
GARY W. NICKERSON  
LOUIS E. ENDERLE  
ROBERT J. SCHIAVONI

November 16, 1987

Red Sulphur Public Service District

Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A

### CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Internal Revenue Service  
Internal Revenue Service Center  
Philadelphia, Pennsylvania 19255

Gentlemen:

Enclosed herewith is a completed and executed Internal Revenue Service Form 8038-G and a file copy thereof with regard to the above-captioned bond issue. Please file the original form in the appropriate Internal Revenue Service records and return the copy marked in red as the "File Copy" to me (after acknowledging receipt of the same) in the enclosed self-addressed, stamped envelope. Thank you for your attention to this matter.

Very truly yours,

*Vincent A. Collins*  
Vincent A. Collins

Enclosure

Copies of letter with enclosure to: Robert A. Irons, G. A. Tice, P.E.,  
Edward N. Henry, P.E. and Taunja Willis Miller, Esquire

11/11/87  
RSPSD1-M

Form **8038-G**  
(December 1986)

Department of the Treasury  
Internal Revenue Service

# Information Return for Tax-Exempt Governmental Bond Issues

► Under Section 149(e)

(Use Form 8038-GC if issue price is under \$100,000.)

OMB No. 1545-0720

Expires 12-31-89

## Part I Reporting Authority

Check box if Amended Return ► ☐

1 Issuer's name  
Red Sulphur Public Service District

2 Issuer's employer identification number  
55-0478295

3 Number and street  
P.O. Box 697

4 Report number  
G1987-1

5 City or town, state, and ZIP code  
Peterstown, West Virginia 24963

6 Date of issue  
November 16, 1987

## Part II Type of Issue (check box(es) that applies)

7 Check box if bonds are tax or other revenue anticipation bonds ► ☐

8 Check box if bonds are in the form of a lease or installment sale ► ☐

9 ☐ Education

10 ☐ Health and hospital

11 ☐ Transportation

12 ☐ Public safety

13 ☒ Environment (including sewage bonds) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987-A

14 ☐ Housing

15 ☐ Utilities

16 ☐ Other. Describe (see instructions) ►

Issue Price  
\$738,647

## Part III Description of Bonds

	(a) Maturity date	(b) Interest rate	(c) Issue price	(d) Stated redemption price at maturity	(e) Weighted average maturity	(f) Yield	(g) Net interest cost
17 Final maturity	<u>10/01/26</u>	<u>8.38 %</u>	<u>\$5,022</u>	<u>\$5,022</u>			
18 Entire issue			<u>\$738,647</u>	<u>\$738,647</u>	<u>*29.4 years</u>	<u>8.38%</u>	<u>8.38%</u>

## Part IV Uses of Original Proceeds of Issue (including underwriters' discount)

19 Proceeds used for accrued interest	19	<u>\$96,500</u>
20 Proceeds used for bond issuance costs (including underwriters' discount)	20	<u>\$11,300</u>
21 Proceeds used for credit enhancement	21	<u>-0-</u>
22 Proceeds allocated to reasonably required reserve or replacement fund	22	<u>-0-</u>
23 Proceeds used to refund prior issues	23	<u>-0-</u>
24 Nonrefunding proceeds of the issue (subtract lines 20, 21, 22, and 23 from line 18, column (c))	24	<u>\$630,847</u>

## Part V Description of Refunded Bonds (complete this part only for refunding bonds)

25 Enter the remaining weighted average maturity of the bonds to be refunded ►                      years

26 Enter the last date on which the refunded bonds will be called ►                     

27 Enter the date(s) the refunded bonds were issued ►                     

## Part VI Miscellaneous

28 Enter the amount (if any) of the state volume cap allocated to this issue ► -0-

29 Arbitrage rebate:

a Check box if the small governmental unit exception to the arbitrage rebate requirement applies ☐

b Check box if the 6-month temporary investment exception to the arbitrage rebate requirement is expected to apply ☐

c Check box if you expect to earn and rebate arbitrage profits to the U.S. ☐

30 Enter the amount of the bonds designated by the issuer under section 265(b)(3)(B)(ii) ►                     

31 Pooled financings:

a Check box if any of the proceeds of this issue are to be used to make loans to other governmental units ► ☐ and enter the amount ►                     

b Check box if this issue is a loan made from the proceeds of another tax-exempt issue ► ☐ and enter the name of the issuer ► W.Va. Water Development Authority and the date of the issue ► May 1, 1986

Please  
Sign  
Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Basil S Meadows 11/18/87 Chairman  
Signature of officer Date Title

For Paperwork Reduction Act Notice, see page 1 of the Instructions.

Form **8038-G** (12-86)

\*Level amortized payments of principal and interest, principal payments commencing October 1 1989, and ending October 1, 2026.



WV MUNICIPAL BOND COMMISSION  
Suite 337 Building 3  
1800 Washington St. E  
State Capitol Complex  
Charleston, WV 25305  
(304) 348-3971

SERIES 1987 A BONDS

NEW ISSUE REPORT FORM

Date of Report: November 16, 1987

(See Reverse for Instructions)

RED SULPHUR PSD (WDA) Combined Waterworks and Sewerage System	
ISSUER & ISSUE: <u>Revenue Bonds, Series 1987 A</u>	
ADDRESS: <u>P.O. Box 697, Peterstown, West Virginia 24963</u>	COUNTY: <u>Monroe</u>
PURPOSE: <u>New Money</u> <input checked="" type="checkbox"/> <u>X</u>	
OF ISSUE: <u>Refunding</u> <input type="checkbox"/> <u>Refunds issue(s) dated:</u>	
ISSUE DATE: <u>November 16, 1987</u>	CLOSING DATE: <u>November 16, 1987</u>
ISSUE AMOUNT: \$ <u>738,647</u>	RATE: <u>8.38%</u>
1st DEBT SERVICE DUE: <u>April 1, 1988</u>	1st PRINCIPAL DUE: <u>October 1, 1989</u>
1st DEBT SERVICE AMOUNT: <u></u>	PAYING AGENT: <u>One Valley Bank</u>
<b>ISSUERS</b>	
BOND COUNSEL: <u>Steptoe &amp; Johnson</u>	UNDERWRITERS
Contact Person: <u>Vincent A. Collins, Esq.</u>	BOND COUNSEL: <u>Jackson, Kelly, Holt &amp; O'Farrell</u>
Phone: <u>624-8000</u>	Contact Person: <u>Samme L. Gee, Esquire</u>
DEPOSITORY BANK: <u>First National Bank of Peterstown</u>	Phone: <u>340-1318</u>
Contact Person: <u>Tom Francis</u>	ESCROW TRUSTEE: <u>N/A</u>
Phone: <u>753-4321</u>	Contact Person: <u></u>
Phone: <u></u>	Phone: <u></u>
<b>KNOWLEDGEABLE ISSUER CONTACT</b>	
Contact Person: <u>Wally Page</u>	OTHER: <u></u>
Position: <u>Project Coordinator</u>	Contact Person: <u></u>
Phone: <u>753-4252</u>	Function: <u></u>
Phone: <u></u>	Phone: <u></u>
<b>DEPOSITS TO MBC AT CLOSE:</b>	
Accrued Interest: <u></u> Days	\$ <u></u>
By <u>Wire</u>	Capitalized Interest: <u>\$ 96,500.00</u>
<input checked="" type="checkbox"/> <u>Check</u>	Reserve Account: <u>\$</u>
<u>IGT</u>	Other: <u>\$</u>
<b>REFUNDS &amp; TRANSFERS BY MBC AT CLOSE:</b>	
By <u>Wire</u>	To Escrow Trustee: <u>NONE</u> \$ <u></u>
<u>Check</u>	To Issuer: <u></u> \$ <u></u>
<u>IGT</u>	To CIF-State Treasury <u></u> \$ <u></u>
	To Other: <u></u> \$ <u></u>
NOTES: <u></u>	
<u></u>	
<u></u>	
<b>FOR MUNICIPAL BOND COMMISSION USE ONLY:</b>	
DOCUMENTS	
REQUIRED: <u></u>	
TRANSFERS	
REQUIRED: <u></u>	
<u></u>	
<u></u>	

WV MUNICIPAL BOND COMMISSION  
Suite 337 Building 3  
1800 Washington St. E  
State Capitol Complex  
Charleston, WV 25305  
(304) 348-3971

SERIES 1987 B BONDS

NEW ISSUE REPORT FORM

Date of Report: November 16, 1987

(See Reverse for Instructions)

RED SULPHUR PSD (WDA) Combined Waterworks and Sewerage System	
ISSUER & ISSUE: <u>Revenue Bonds, Series 1987 B</u>	
ADDRESS: <u>P.O. Box 697, Peterstown, West Virginia 24963</u>	COUNTY: <u>Monroe</u>
PURPOSE <u>New Money</u> <input checked="" type="checkbox"/> <u>X</u>	
OF ISSUE: <u>Refunding</u> <input type="checkbox"/> Refunds issue(s) dated: _____	
ISSUE DATE: <u>November 16, 1987</u>	CLOSING DATE: <u>November 16, 1987</u>
ISSUE AMOUNT: \$ <u>181,173</u>	RATE: <u>0%</u>
1st DEBT SERVICE DUE: <u>October 1, 1989</u>	1st PRINCIPAL DUE: <u>October 1, 1989</u>
1st DEBT SERVICE AMOUNT: _____	PAYING AGENT: <u>One Valley Bank</u>
<hr/>	
ISSUERS	UNDERWRITERS
BOND COUNSEL: <u>Steptoe &amp; Johnson</u>	BOND COUNSEL: <u>Jackson, Kelly, Holt &amp; O'Farrell</u>
Contact Person: <u>Vincent A. Collins, Esq.</u>	Contact Person: <u>Samme L. Gee, Esquire</u>
Phone: <u>624-8000</u>	Phone: <u>340-1318</u>
DEPOSITORY BANK: <u>First National Bank of Peterstown</u>	ESCROW TRUSTEE: <u>N/A</u>
Contact Person: <u>Tom Francis</u>	Contact Person: _____
Phone: <u>753-4321</u>	Phone: _____
KNOWLEDGEABLE ISSUER CONTACT	OTHER: _____
Contact Person: <u>Wally Page</u>	Contact Person: _____
Position: <u>Project Coordinator</u>	Function: _____
Phone: <u>753-4252</u>	Phone: _____
<hr/>	
DEPOSITS TO MBC AT CLOSE:	Accrued Interest: _____ Days \$ _____
By <u>Wire</u>	Capitalized Interest: _____ \$ _____
<u>Check</u>	Reserve Account: _____ \$ _____
<u>IGT</u>	Other: <u>NONE</u> \$ _____
<hr/>	
REFUNDS & TRANSFERS BY MBC AT CLOSE:	
By <u>Wire</u>	To Escrow Trustee: <u>NONE</u> \$ _____
<u>Check</u>	To Issuer: _____ \$ _____
<u>IGT</u>	To CIF-State Treasury _____ \$ _____
	To Other: _____ \$ _____
<hr/>	
NOTES: _____	
_____	
_____	
<hr/>	
FOR MUNICIPAL BOND COMMISSION USE ONLY:	
DOCUMENTS	
REQUIRED: _____	
TRANSFERS	
REQUIRED: _____	
_____	







10-15-87

STATE OF WEST VIRGINIA  
DEPARTMENT OF NATURAL RESOURCES  
CHARLESTON 25305

ARCH A. MOORE, JR.  
Governor

RONALD R. POTESTA  
Director

ROBERT K. PARSONS  
Deputy Director

October 13, 1987

Mr. Basil Meadows, Chairman  
Red Sulphur Public Service District  
P.O. Box 675  
Peterstown, West Virginia 24963

RE: Red Sulphur PSD  
C-540350-03

Dear Mr. Meadows:

You are hereby advised that the bidding procedures for Contracts 1 and 2 of project C-540350-03 have been reviewed and approved. The contracts may now be awarded to the low, responsive bidders, West Virginia Pipeline, Incorporated and Rover Construction, Incorporated as indicated by the proposal you have submitted.

Certain construction activities have been assigned to our Engineering Section. You will be contacted by a representative of this section in the near future.

The Part B documents that you submitted have been reviewed by this office. The Environmental Protection Agency (EPA) Form 5780-1B has been approved with some revisions. The official approval letter and the grant amendment are currently being processed and will be forwarded under separate cover. Total eligible project costs have been determined to be \$2,313,200 reflecting a revised EPA grant amount of \$1,839,790 which includes \$1,734,900 in conventional funds and \$104,890 in ARC funds.

Should you have any questions, please contact Rosalie Ortega at (304) 348-0637 or Russ Hover at (304) 348-0633.

Sincerely,

CONSTRUCTION GRANTS BRANCH

Mike Johnson, P.E.  
Branch Head

MJ/JR

cc: R. Fenton Roudabush, EPA  
G. A. Tice, Inc.  
Ed Henry, WDA  
Howard Cunningham, PSC

U.S. ENVIRONMENTAL PROTECTION AGENCY  
ASSISTANCE AGREEMENT/AMENDMENT

ASSISTANCE IDENTIFICATION NO.

C 5 4 0 3 5 0 0 3 0

CHECK APPLICABLE ITEM(S)

DATE OF AWARD (Obligation date)

JUN 30 1981

COOPERATIVE AGREEMENT

GRANT AGREEMENT

X ASSISTANCE AMENDMENT

X SUBSEQUENT RELATED PROJECTS (WWT)

TYPE OF ACTION

Continuation

PART I-GENERAL INFORMATION

1. ASSISTANCE PROGRAM Municipal  
Wastewater Treatment Works

2. STATUTE REFERENCE  
33 USC 1281 et. seq.

3. REGULATION REFERENCE  
40 CFR Parts 30 & 35

RECIPIENT ORGANIZATION

a. NAME

Red Sulphur Public Service District

c. ADDRESS

P.O. Box 354  
Peterstown, West Virginia 24963

b. EMPLOYEE I. D. NO. (EIN)

PROJECT MANAGER (Recipient Contact)

a. NAME

Dennis Sibold

b. TITLE

Chairman

c. TELEPHONE NO. (Include Area Code)

304/753-9550

d. ADDRESS

Red Sulphur Public Service District  
P.O. Box 354  
Peterstown, West Virginia 24963

6.

PROJECT OFFICER (EPA Contact)

a. NAME

Dennis P. Carney

b. TITLE

Team Leader, West Virginia Section

c. TELEPHONE NO. (Include Area Code)

215/597-9911

d. ADDRESS

Environmental Protection Agency  
Water Division  
6th & Walnut Streets  
Curtis Building  
Philadelphia, Pennsylvania 19106

7a. PROJECT TITLE/DESCRIPTION

The Step 3 project consists of an extension to the existing sewage collection and interceptor system and the upgrading of the wastewater treatment facility to serve the Peterstown area of the Red Sulphur PSD. The eligible project includes allowable associated costs as defined in 40 CFR 35.940-1 up to the amounts shown in Part II of the Grant Amendment.

7b. ENTER APPLICABLE ITEMS FOR STEP 3 & 2/3 (WWT)

TREATMENT LEVEL		TYPE PROJECT		IS THERE ANY INDUSTRIAL FLOW	YES	NO
TREATMENT PROCESS		SLUDGE DESIGN				

7c. PROJECT STEP (WWT)

III

8.

DURATION

PROJECT PERIOD (Dates)

May, 1981 - January, 1983

BUDGET PERIOD (Dates)

N/A

9.

DOLLAR AMOUNTS

TOTAL PROJECT COSTS	\$2,387,575	EPA AWARD AMOUNT <del>XXXXXXXXXXXXXXXXXXXX</del>	\$1,573,350
TOTAL ELIGIBLE COSTS (WWT)	\$2,097,800	UNEXPENDED PRIOR YR. BAL. (EPA Funds)	N/A
TOTAL BUDGET PERIOD COSTS	N/A	THIS ACTION (This obligation amount)	\$1,573,350

10.

ACCOUNTING DATA

APPROPRIATION	DOC CONTROL NO.	ACCOUNT NO.	OBJ. CLASS	AMOUNT CHARGED
68X0103.8	TN8102	EG7D036006	41. 41. 11 41.	\$1,573,350

11. PAYMENT METHOD

☐ ADVANCES (\_\_\_\_% of award) ☒ REIMBURSEMENT

☐ OTHER \_\_\_\_\_

SEND PAYMENT REQUEST TO Financial Management

Branch

12. PAYEE (Name and mailing address. Include ZIP Code.)

Red Sulphur Public Service District  
P.O. Box 354  
Peterstown, West Virginia 24963

TABLE A - OBJECT CLASS CATEGORY  
(Non-construction)TOTAL APPROVED ALLOWABLE  
BUDGET PERIOD COST

1. PERSONNEL	N/A
2. FRINGE BENEFITS	
3. TRAVEL	
4. EQUIPMENT	
5. SUPPLIES	
6. CONTRACTUAL	
7. CONSTRUCTION	
8. OTHER	
9. TOTAL DIRECT CHARGES	
10. INDIRECT COSTS: RATE % BASE	
11. TOTAL (Share: Recipient _____ % Federal _____ %)	
12. TOTAL APPROVED ASSISTANCE AMOUNT	\$

TABLE B - PROGRAM ELEMENT CLASSIFICATION  
(Non-construction)

1.	N/A
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12. TOTAL (Share: Recipient _____ % Federal _____ %)	
13. TOTAL APPROVED ASSISTANCE AMOUNT	\$

TABLE C - PROGRAM ELEMENT CLASSIFICATION  
(Construction)

1. ADMINISTRATION EXPENSE	8,000
2. PRELIMINARY EXPENSE	
3. LAND STRUCTURES, RIGHT-OF-WAY	
4. ARCHITECTURAL ENGINEERING BASIC FEES	70,153
5. OTHER ARCHITECTURAL ENGINEERING FEES	
6. PROJECT INSPECTION FEES	86,523
7. LAND DEVELOPMENT	
8. RELOCATION EXPENSES	
9. RELOCATION PAYMENTS TO INDIVIDUALS AND BUSINESSES	
10. DEMOLITION AND REMOVAL	
11. CONSTRUCTION AND PROJECT IMPROVEMENT	1,753,650
12. EQUIPMENT	
13. MISCELLANEOUS	
14. TOTAL (Lines 1 thru 13)	
15. ESTIMATED INCOME (If applicable)	
16. NET PROJECT AMOUNT (Line 14 minus 15)	
17. LESS: INELIGIBLE EXCLUSIONS	
18. ADD: CONTINGENCIES	179,474
19. TOTAL (Share: Recipient <u>25</u> % Federal <u>75</u> %)	2,097,800
20. TOTAL APPROVED ASSISTANCE AMOUNT	\$ 1,573,350

a. General Conditions:

The grantee covenants and agrees that it will expeditiously initiate and timely complete the project work for which assistance has been awarded under this grant, in accordance with all applicable provisions of 40 CFR Chapter I, Subpart B. The grantee warrants, represents, and agrees that it, and its contractors, subcontractors, employees and representatives, will comply with: (1) all applicable provisions of 40 CFR Chapter I, Subchapter B, INCLUDING BUT NOT LIMITED TO the provisions of Appendix A to 40 CFR Part 30, and (2) any special conditions set forth in this grant agreement or any grant amendment pursuant to 40 CFR 30.425.

b. Special Conditions:

The grantee's attention is particularly directed to certain following special considerations and also to the following discussion of provisions contained in 40 CFR, Chapter I, Subchapter B, Part 35, Subpart E dated September 27, 1978:

1. Regulations Affecting Federal Grant Payments

- (a) The grantee's procurement practices shall be in conformance with 40 CFR 35.935-2 and 35.939.
- (b) In accordance with 40 CFR 35.935-12(c), payment shall not be made for (1) more than 50 percent of the Federal share of the project unless the grantee has furnished a draft operation and maintenance manual for review, or adequate evidence of timely development of such draft, or (2) more than 90 percent of such Federal share unless the grantee has furnished a satisfactory final operation and maintenance manual.
- (c) In accordance with 40 CFR 35.935-16, payment shall not be made for more than 80 percent of the Federal share of the project, unless the Regional Administrator has approved the grantee's sewer use ordinance, and the grantee is complying with any sewer system evaluation and rehabilitation schedule as may be incorporated in this Grant Agreement. Other requirements may pertain to segmented or multiple facility projects within 35.935-16.
- (d) Final payment shall be made in accordance with 40 CFR 35.935-14 and 35.945(e).

2. Discharge Permits

The grantee shall obtain any necessary discharge permits for the treatment works in accordance with Section 402 of the 1972 Amendments to the Federal Water Pollution Control Act and as further amended by the Clean Water Act of 1977 (PL 95-217).

3. Advertisement for Bids

The grantee shall not advertise or place on the market for bidding any portion of this project until the final plans and specifications have been approved in writing by the appropriate state water pollution control agency and the EPA Project Officer and authorization to advertise has been given.

Special Conditions (Continued):4. Contract Award

The grantee agrees that construction contracts including those for the purchase of equipment and materials shall not be awarded until written approval is obtained from the EPA Project Officer, except that for certain contracts less than \$10,000 the provisions of 40 CFR 35.936-19 (small purchases) apply.

5. Sites, Easements and Rights-of-Way

The grantee shall submit an acceptable legal opinion that the necessary sites and easements and/or rights-of-way have been obtained and that they are free of any restrictions or encumbrances that might restrict their use for the purpose intended. Said opinion shall be submitted to EPA not later than the time at which the grantee requests approval to award construction contracts.

6. Operation and Maintenance of Related Existing Facilities

The grantee shall construct the additions described herein in such a manner as to assure an absolute minimum of interference with proper and efficient operation of related facilities.

7. Flood Insurance

The grantee agrees to acquire and maintain any flood insurance made available to it under the National Flood Insurance Act of 1968, as amended. The insurance shall be in an amount at least equal to the total eligible project costs excluding cost of land and uninsurable improvements, or to the maximum limit of coverage made available under the National Flood Insurance Act of 1968, as amended, whichever is less, for the entire useful life of the project.

This condition shall not be applicable if, on the date of execution of this Grant Agreement by both parties, flood insurance was not available pursuant to the Flood Insurance Act of 1968, as amended, for property in the project location. This condition shall not be applicable if the project location is outside the boundaries of a special flood hazard area delineated on a Flood Hazard Boundary Map or Flood Insurance Rate Map which has been issued by the Department of Housing and Urban Development, Federal Insurance Administration. This condition shall not be applicable if the total value of improvements insurable under the National Flood Insurance Act is less than \$10,000.

8. Prompt Payment/Retention of Payment

- (a) The grantee agrees to make a payment to its contractor promptly after receipt of Federal payments due under this grant and to retain only such amounts as may be justified by specific circumstances and provisions of this grant or the construction contract. Retained amounts shall be limited, except where greater retention is necessary under specific circumstances specially provided for in the construction contract, to the levels stipulated in 40 CFR 35.936-7.

Special Conditions (Continued):

(b) 40 CFR 35.938-7 is as follows:

§ 35.938-7 Retention from progress payments.

(a) The grantee may retain a portion of the amount otherwise due the contractor. Except as State law otherwise provides, the amount the grantee retains shall be limited to the following:

(1) Withholding of not more than 10 percent of the payment claimed until work is 50 percent complete;

(2) When work is 50 percent complete, reduction of the withholding to 5 percent of the dollar value of all work satisfactorily completed to date, provided that the contractor is making satisfactory progress and there is no specific cause for greater withholding;

(3) When the work is substantially complete (operational or beneficial occupancy), the withheld amount shall

be further reduced below 5 percent to only that amount necessary to assure completion.

(4) The grantee may reinstate up to 10 percent withholding if the grantee determines, at its discretion, that the contractor is not making satisfactory progress or there is other specific cause for such withholding.

(5) The grantee may accept securities negotiable without recourse, condition or restrictions, a release of retainage bond, or an irrevocable letter of credit provided by the contractor instead of all or part of the cash retainage.

(b) The foregoing retention policy shall be implemented with respect to all step 3 projects for which plans and specifications are approved after March 1, 1978. Appropriate provision

to assure compliance with this policy must be included in the bid documents for such projects initially or by addendum before the bid submission date, and as a special condition in the grant agreement or in a grant amendment. For all previous active projects, the grantee may implement the foregoing policy through contract amendment upon written request to the grantee by the contractor upon consideration that the grantee deems adequate.

(c) Under § 30.620-3 of this subchapter, a grantee who delays disbursement of grant funds will be required to credit to the United States all interest earned on those funds.

(c) The grantee agrees to report to the EPA Project Officer and promptly credit to the Federal share due under this grant the full amount of any interest earned, or if no such interest is earned, an imputed amount of interest at the prevailing rate, upon Federal payments paid to the grantee, if payment to the contractor is unjustifiably delayed by the grantee, its employees or representatives.

(d) The grantee agrees to include appropriate provisions in each Step 3 construction contract to implement this prompt payment requirement.

9. Buy American

The grantee shall give preference to use of domestic construction materials in the performance of this grant, pursuant to Section 215 of the Federal Water Pollution Control Act, as amended, and EPA implementing regulations and guidelines. Notwithstanding any other provision of law, no grant for which application is made after February 1, 1978, shall be made under this title for any treatment works unless only such unmanufactured articles, materials and supplies as have been mined or produced in the United States, and only such manufactured articles, materials and supplies as have been manufactured in the United States, substantially all from articles, materials or supplies mined, produced, or manufactured, as the case may be, in the United States will be used in such treatment works. This section shall not apply in any case where the Administrator determines, based upon those factors the Administrator deems relevant, including the available resources of the agency, it to be inconsistent with the public interest (including multilateral government procurement agreements) or the cost to be unreasonable, or if articles, materials or supplies of the class or kind to be used or the articles, materials or supplies from which they are manufactured are not mined, produced or manufactured, as the case may be, in the United States in sufficient and reasonably available commercial quantities and of a satisfactory quality.

D. SPECIAL CONDITIONS (Continued)

PART IV

**NOTE:** The Agreement must be completed in duplicate and the Original returned to the Grants Administration Division for Headquarters awards and to the appropriate Grants Administrations Office for State and local awards within 3 calendar weeks after receipt or within any extension of time as may be granted by EPA.

Receipt of a written refusal or failure to return the properly executed document within the prescribed time, may result in the withdrawal of the offer by the Agency. Any change to the Agreement by the recipient subsequent to the document being signed by the EPA Award Official which the Award Official determines to materially alter the Agreement shall void the Agreement.

OFFER AND ACCEPTANCE

The United States of America, acting by and through the U.S. Environmental Protection Agency (EPA), hereby offers assistance/amendment to the Red Sulphur Public Service District

for 75 % of all approved costs incurred up to and not exceeding \$ 1,573,350

RECIPIENT ORGANIZATION

ASSISTANCE AMOUNT

for the support of approved budget period effort described in application (including all application modifications)

C-540350-03 Red Sulphur Public Service District 3/6/81 included herein by reference.

DATE AND TITLE

ISSUING OFFICE (Grants Administration Office)

AWARD APPROVAL OFFICE

ORGANIZATION/ADDRESS

Environmental Protection Agency  
Virginia/West Virginia Branch (3WA10)  
Curtis Building, 6th & Walnut Streets  
Philadelphia, Pennsylvania 19106

ORGANIZATION/ADDRESS

Environmental Protection Agency  
Water Division (3WA00)  
Curtis Building, 6th & Walnut Streets  
Philadelphia, Pennsylvania 19106

THE UNITED STATES OF AMERICA BY THE U.S. ENVIRONMENTAL PROTECTION AGENCY

SIGNATURE OF AWARD OFFICIAL

TYPED NAME AND TITLE

Jack J. Schramm  
Regional Administrator

DATE

JUN 30 1981

This Agreement is subject to applicable U.S. Environmental Protection Agency statutory provisions and assistance regulations. In accepting this award or amendment and any payments made pursuant thereto, (1) the undersigned represents that he is duly authorized to act on behalf of the recipient organization, and (2) the recipient agrees (a) that the award is subject to the applicable provisions of 40 CFR Chapter I, Subchapter B and of the provisions of this agreement (Parts I thru IV), and (b) that acceptance of any payments constitutes an agreement by the payee that the amounts, if any found by EPA to have been overpaid will be refunded or credited in full to EPA.

BY AND ON BEHALF OF THE DESIGNATED RECIPIENT ORGANIZATION

SIGNATURE

TYPED NAME AND TITLE

DENNIS SIBOLD, CHAIRMAN

DATE

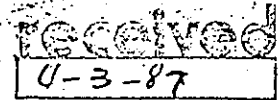
JUL 11/81





ARC Grant

4 OCT 1982



Attachment "C" to  
WDA-2 Loan Application

Honorable John D. Rockefeller IV  
Governor of West Virginia  
State Capitol  
Charleston, West Virginia 25305

Dear Governor Rockefeller:

On September 30, 1982, the Appalachian Regional Commission approved grants totalling \$252,688 under Section 214 for the following:

Red Sulphur Public Service District Sewer System,  
Monroe County (WV-8461-82-I-214-0617)

Ohio County Public Service District Sewer System,  
(Phase II, West Liberty) (WV-8463-82-I-214-0617)

Appalachian Regional Commission funds required for financing these projects have been made available to the Administrator, Environmental Protection Agency.

A copy of each approval is enclosed.

Sincerely yours,

FRANCIS E. MORAVITZ  
Executive Director

Enclosures

cc: State Alternate

TO: Mr. Alexander J. Green, Director  
 Grants Administration Division  
 Office of Administration  
 Environmental Protection Agency  
 W437E P.M.-216  
 401 N Street, S. W.  
 Washington, D. C. 20460

The Appalachian Regional Commission has approved a project for assistance under the Appalachian Regional Development Act of 1965 as amended, as follows:

Red Sulphur Public Service District Sewer System, Monroe County, West Virginia (WV-8461-82-I-214-0617)

FUNDING:

EPA	\$1,573,350	75%
Section 214	104,890	5
Non-Federal (State & Local)	419,560	20
Total Eligible Project Cost	\$2,097,800	100%
Ineligible Project Cost	289,775	
Total Project Cost	\$2,387,575	

Condition: ARC grant award contingent upon a positive ruling by the commissioners of the West Virginia Public Service Commission to proceed with this project.

If Section 201, 202, 211b or 214 funding is specified, the following apply as appropriate:

Section 201 assistance is limited to the lesser of the amount specified above or 80% of the eligible cost.

Section 202 assistance for equipment purchased can not exceed 80% of the total eligible equipment cost. When the final Financial Status Report is submitted by the grantee, the amount of the federal outlays for equipment and the amount of the non-federal equipment cash match shall be specified separately.

Section 211b assistance for the construction or equipment of any component of an education demonstration project shall not exceed 80% of the total eligible cost.

Section 214 assistance is limited to the lesser of: (1) the amount specified above, or (2) the difference between the actual eligible project costs and the sum of the actual non-ARC basic grant(s) and the non-federal funds specified above.

APPROVED: \_\_\_\_\_

Federal Co-Chairman

September 30, 1982

Date



RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds,  
Series 1987 A and Series 1987 B

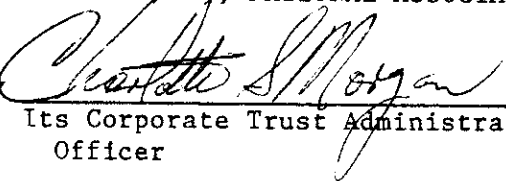
ACCEPTANCE OF DUTIES OF REGISTRAR

ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association with its principal office in the City of Charleston, West Virginia, hereby accepts appointment as Registrar in connection with Red Sulphur Public Service District Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A and Series 1987 B, all dated November 16, 1987, in the aggregate principal amount of \$919,820 and agrees to perform all duties of Registrar in connection with such Bonds, all as set forth in the Local Act authorizing issuance of the Bonds.

Dated this 16th day of November, 1987.

ONE VALLEY BANK, NATIONAL ASSOCIATION

By

  
Its Corporate Trust Administrative  
Officer

11/11/87  
RSPSD1-N



RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds,  
Series 1987 A and Series 1987 B

ACCEPTANCE OF DUTIES OF DEPOSITORY BANK

FIRST NATIONAL BANK OF PETERSTOWN, a national banking association, with principal office in Peterstown, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond Resolution of Red Sulphur Public Service District, adopted November 12, 1987, authorizing issuance of the District's Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A and Series 1987 B, both dated November 16, 1987, in the aggregate principal amount of \$919,820 (collectively, the "Bonds") and agrees to perform all duties of Depository Bank in connection with such Bonds, all as set forth in said Resolution.

Dated this 16th day of November, 1987.

FIRST NATIONAL BANK OF PETERSTOWN

By William C. Bailey  
Its Attorney

11/11/87  
RSPSD1-0





RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds,  
Series 1987 A and Series 1987 B

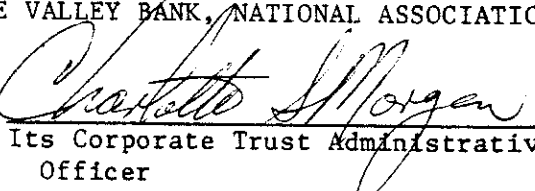
CERTIFICATE OF REGISTRATION OF BONDS

I, Charlotte S. Morgan, Corporate Trust Administrative Officer of One Valley Bank, National Association, as Registrar under the Local Act and Registrar's Agreement providing for the \$919,820 aggregate principal amount of Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A and Series 1987 B, of Red Sulphur Public Service District (the "Issuer"), hereby certify that on the 16th day of November, 1987, the single fully registered Series 1987 A Bond of the Issuer in the principal amount of \$738,647 designated "Combined Waterworks and Sewerage System Revenue Bond, Series 1987 A," numbered AR-1, and the single fully registered Series 1987 B Bond of the Issuer in the principal amount of \$181,173 designated "Combined Waterworks and Sewerage System Revenue Bond, Series 1987 B," numbered BR-1, were registered as to principal and interest (the Series 1987 B Bond being registered as to principal only) in the name of "West Virginia Water Development Authority" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of the One Valley Bank, National Association, as Registrar.

WITNESS my signature as of this 16th day of  
November, 1987.

ONE VALLEY BANK, NATIONAL ASSOCIATION

By

  
Its Corporate Trust Administrative  
Officer

11/11/87  
RSPSD1-P



## REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 16th day of November, 1987, by and between RED SULPHUR PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia (the "Issuer"), and ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$919,820 aggregate principal amount of Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A and Series 1987 B, in fully registered form (collectively, the "Bonds"), pursuant to a Bond Resolution adopted November 12, 1987, and a Supplemental Resolution also adopted November 12, 1987 (collectively, the "Local Act");

WHEREAS, capitalized words and terms used in this Registrar's Agreement and not otherwise defined herein shall have the respective meanings given them in the Local Act, a copy of which is attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Local Act provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Local Act and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Local Act and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Registrar's Agreement by the Issuer and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Bonds, all as set forth in the Local Act, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exemption of interest on the Bonds from federal income taxation, in accordance with any rules and

regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Registrar shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar, from time to time, the compensation for services rendered as provided in the annexed schedule and reimbursement for reasonable expenses incurred in connection therewith.

5. It is intended that this Registrar's Agreement shall carry out and implement provisions of the Local Act with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Local Act, the terms of the Local Act shall govern.

6. The Issuer and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the Local Act will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Registrar's Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: Red Sulphur Public Service District  
P.O. Box 675  
Peterstown, West Virginia 24963  
Attention: Chairman

REGISTRAR: One Valley Bank, National Association  
One Valley Square  
Post Office Box 1793  
Charleston, West Virginia 25560  
Attention: Corporate Trust Department

8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Local Act.

IN WITNESS WHEREOF, RED SULPHUR PUBLIC SERVICE DISTRICT and ONE VALLEY BANK, NATIONAL ASSOCIATION have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

RED SULPHUR PUBLIC SERVICE DISTRICT

By Basil S. Meadows  
Chairman, Public Service Board

ONE VALLEY BANK, NATIONAL ASSOCIATION

By Charlotte S. Morgan  
Its Corporate Trust Administrative  
Officer

11/11/87  
RSPSD1-Q

EXHIBIT A

[Included in transcript as Document No. 1]

SCHEDULE OF COMPENSATION

One Valley Bank  
One Valley Square, P.O. Box 1793  
Charleston, WV 25326  
(304) 348-7000

**ONE FINANCIAL PLACE**  
Financial and Trust Services

November 14, 1987



RED SULPHUR PUBLIC SERVICE DISTRICT  
ATTN: CHAIRMAN

---

ITEM DESCRIPTION

INVOICE FOR: RED SULPHUR P.S.D. SEWER REVENUE BONDS  
1987 SERIES A - \$748,647 AND SERIES B - \$181,173.

ONE TIME FEE FOR SERVICES AS AUTHENTICATING AGENT AND  
REGISTRAR

INVOICE AMOUNT: \$500.00

Please send your remittance, with the enclosed copy of this  
invoice, to:

One Valley Bank, National Association  
Corporate Trust Department  
PO Box 1793  
Charleston WV 25326

ATTN: Charlotte Morgan

If you have any questions regarding this invoice, please feel  
free to give me a call.





ASSIGNMENT SEPARATE FROM BOND

FOR VALUE RECEIVED, the West Virginia Water Development Authority hereby sells, assigns and transfers unto One Valley Bank, National Association, Charleston, West Virginia, the Combined Waterworks and Sewerage System Revenue Bond, Series 1987 A, of Red Sulphur Public Service District in the principal amount of \$738,647, numbered AR-1, standing in the name of West Virginia Water Development Authority on the books of said Issuer.

Dated: November 16, 1987.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

  
Authorized Representative

11/11/87  
RSPSD1-R

ALL-STATE LEAD SUPPLY CO. ONE COMMERCE DRIVE GRANBOR. 35EY 07016

ED 11-2C